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Ministers waiting for cue from Peres and Shamir

Lavi's future hangs in balance

By JOSHUA BRILLIANT
Post Defence Reporter

The Lavi's future yesterday appeared as unclear as ever as ministers were overwhelmed by the implications of the issue. Some were probably waiting for cues from Prime Minister Shamir or Vice Premier Peres, and others had difficulty with the contradictory data presented to them.

Ministers receive explanations from one side and then the other. Each contradicts the other. Agriculture Minister Arye Nehamkin told *The Jerusalem Post* after yesterday's cabinet session.

Five thousand employees of Israel Aircraft Industries, which manufactures the plane, took over the area in front of the Prime Minister's Office yesterday morning in an attempt to persuade cabinet ministers not to scrap the Lavi.

About 120 workers lined the Jerusalem-Tel Aviv highway from Sha'ar Hagai to Jerusalem so that ministers would see their placards as they drove to the cabinet meeting.

At the meeting, the IDF presented its case once again, answering questions put to it in a previous meeting. In the process, it lifted the lid off some of its top-secret ideas on how to surprise the enemy in a future war. Observers believe these ideas reflect a trend towards the use of more precision-guided munitions, attack helicopters and other means.

But differences emerged even among military experts when Defence Ministry Director-General David Ivri, who supports the Lavi, told the ministers he did not concur with the plans presented by the Chief of General Staff Rav Aluf

Dan Shomron. He also contradicted Shomron on at least one point.

Labour Minister Moshe Katsav complained that the ministers had heard four senior defence officials – and had been presented with four different pictures. Katsav indicated he would like the army to present a unified picture because no minister would take it upon himself to challenge an expert's claim that the wrong decision would harm security.

However, some ministers had already made up their minds. Yesterday's presentation failed to persuade Science Minister Gideon Patt, for example.

Patt told reporters that the State Comptroller's scathing report about the Lavi had made him "not trust the army that much."

"Should we decide what arms Israel should have on the basis of who is commander at this moment?" Patt asked. "Three months ago we had a CGS who wanted the Lavi. Now there is a CGS who doesn't want the Lavi. In three years we'll have a CGS who wants the Lavi. Should we change our policy each time?"

Economic considerations which are the root of the IDF's opposition to the Lavi should not be the determining factor, he said. "Economically it would be more advisable to set up a Jewish ghetto in Brooklyn. Life would be better then."

Patt maintained that the \$150 million needed annually for other projects should not be taken from the Lavi and the \$50m. needed each year for the Lavi could be somehow found.

IAI officials appeared less assured of a vote in

favour of the Lavi and were working on a plan that would reduce the cost of the aircraft. One proposal mooted yesterday was to complete development and produce fewer planes each year, but a senior IAI source said the plans were still under consideration.

Meanwhile, Minister-without-Portfolio Ezer Weizman maintained that the government should make a decision quickly. Every day's delay costs \$1m., here told *The Post*.

"Twenty ministers have spoken already. It's about time we heard the prime minister, the vice premier and the defence minister. Why can't we sit down from 8 a.m. to 8 p.m., and if we don't finish by then convene again from 8 the next morning to 8 at night, and get it over with?"

Weizman, a former defence minister, was particularly critical of Rabin. Rabin's "lack of command" had caused bad blood among senior IDF commanders, he charged.

"You reach a point where comrades at arms are willing to devour one another. Outstanding commanders who started out together as second lieutenants and reached the rank of general are now fighting one another. David Ivri [is against] Avihu Bin-Nun and Amos Lapidot opposes Dan Shomron," he noted.

Aluf Bin-Nun is head of the IDF's Planning Branch and his opposition to the Lavi has incurred the wrath of Ivri and of Aluf Amos Lapidot, the current Air Force commander.

(Continued on Page 2, Col. 6)

Villagers clash with soldiers, Israelis

West Bank man killed in dispute over land



IDF soldiers block the entrance to Obaidiyah village near Bethlehem after yesterday's violent clash between villagers and land-dealers. (AFP)

By JOEL GREENBERG

OBEIDIYAH. – An elderly man was fatally shot and eight persons were wounded yesterday when angry villagers clashed with troops and armed Israelis who arrived here with an Arab land dealer to survey land for registration.

The violence broke out after Ramallah land dealer Jamal al-Asa, accompanied by Israeli land dealer Shmuel Einav and officials of the Judea and Samaria Civil Administration, began examining land at Obaidiyah, near Bethlehem, in preparation for its registration under al-Asa's name.

Al-Asa, who claims ownership of some 4,000 dunams of village land, requested the registration four years ago, but has encountered opposition by over 100 villagers who claim that they own the property and that al-Asa's claims are based on forged documents. Al-Asa, a son of the

village mukhtar, is attempting to establish ownership in order to transfer the land to the Dekel company, represented by Einav, and the Jumbo construction firm that has announced plans to build the Ramat Kidron housing development at the site.

Jumbo has taken deposits from potential homeowners but has been unable to start building because it has not secured ownership. The company's bank accounts were recently attached following legal action by disgruntled buyers.

There were conflicting reports of how yesterday's violence began. Abed Assala, a lawyer for the villagers who was at the scene, said tension rose after Einav began screaming at villagers when they arrived to present their claims. Assala said Einav hurled epithets at the crowd of some 120 villagers, who began jostling with the land dealers and security men who accompanied them.

The Judea and Samaria commander said that according to reports he received, about 300 villagers rushed the land dealers and officials, threw stones, and, after breaking through a security line of Border Police, began beating and clubbing the Israelis. He said Civil Administration employees opened fire in self-defence and at least two Border Police officers fired in the air.

The lawyer said he saw the Ramallah land dealer al-Asa and five civilian security guards accompanying Einav firing directly at the crowd at short range along with Border Police.

Eyewitnesses said Ittilati Mahmud Atiyeh, a father of seven in his late sixties, was killed when he was hit in the stomach. Three other villagers were wounded by gunfire, including Atiyeh's brother, Kayed, who was hit in the leg. Two were hit by stone fragments chipped by the bullets, and one suffered injuries

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Universities, students reject government decision on fees

By BERNARD JOSEPH
LEA LEVAVI
and ASHER WALLFISH

The government was under fire from the country's students and university heads last night following yesterday's cabinet decision to set next year's tuition fees at \$1,200.

The actual fee will be closer to \$1,300 in real terms because the exchange rate is artificially low under Treasury policy.

The Committee of University Presidents said bluntly that unless more government money was forthcoming, they would not reopen their institutions when the new academic year starts in November.

A spokesman for the university presidents, representing the country's seven universities and the Weizmann Institute, said: "The govern-

ment has gone back on its undertaking to help us weather the financial storm."

The presidents are to meet in emergency session on Friday, and demand that tuition fees be increased to \$1,680. They will also demand that the government fulfill its pledge to channel \$17 million to the universities in direct aid. In yesterday's cabinet decision this amount, which had been agreed on, was reduced to \$6.5 million.

"No one should be in any doubt that we mean what we say. We have no money to operate the universities. If the government doesn't give us the extra funds, then we will not be able to open the gates," said the spokesman.

Student leaders expressed their anger at the government's decision

and said that after weeks of failing to make up its mind, the cabinet had now produced a decision that pleased neither the students nor the university bosses.

The students have said all along that they can only pay \$800 a year and David Berman, chairman of the National Students Union, said the fight for lower tuition would continue for the 1988-89 academic year.

At yesterday's cabinet session, Finance Minister Moshe Nissim wanted to postpone all decisions about students fees. Nissim said that two parliamentary initiatives with regard to student fees should be first clarified, since they directly affect whatever the cabinet proposes.

Education Minister Yitzhak Navon said the best way to block the

(Continued on Page 2, Col. 4)

Ramat Amidar

Police liken attack to 'progrum'

By JONATHAN KARP

For *The Jerusalem Post*
RAMAT GAN. – Comparing last week's violent acts against Arab residents of the Ramat Amidar neighbourhood here with pogroms against Jews in the Diaspora, the police yesterday charged four Jewish residents of the neighbourhood with assault and hooliganism. The victims, three Arabs, were beaten with clubs and iron rods.

Named in the charge sheet were Ya'acov Aini, 27; Ya'acov Tzipori, 28; Shimon Mazni, 50; and Dvora Yitzhak, 39.

Police deputy superintendent Lilian Shapira stated in the charge sheet that the deeds allegedly perpetrated by the accused had undermined the principles of society and badly defamed the state.

Dvora Yitzhak and her teenage son were also charged with stabbing one of the victims, Alon Tagir, last Monday evening and telling him, "Arab maniac, get out of here."

The three reportedly got into an argument over a horse that Yitzhak's son had tied in the yard next to the family's apartment. Later that night, 15 people, according to the police, attacked the Arabs in a rented flat in the building, sending Tagir and his brother to hospital with serious injuries.

The next night, their apartment was set on fire and completely destroyed. The violence in Ramat Amidar escalated, leading to arson at another apartment rented by Arabs last Thursday night. Two other arson attempts failed.

Earlier yesterday, members of the Ramat Amidar residents' committee and Ramat Gan municipal officials held a press conference aimed at reducing tensions in the neighbourhood. The officials called on residents to prevent further attacks and to report all disturbances, whether instigated by Jews or Arabs, to the police.

The officials yesterday stuck to their argument that the affair was a neighbourhood dispute, and they accused the media of blowing the story out of all proportion.

A day earlier a Tel Aviv Magistrate's Court judge had rejected this notion in deciding to extend the remand of two of the suspects.

"Nothing happened," David Bar-Zvi, head of the Ramat Amidar renewal project, told reporters yesterday. "The affair gained

(Continued on Page 2, Col. 3)

Murder by Aids?

LOS ANGELES (Reuters). – A man who allegedly sold his blood to several blood banks although he knew he had Aids has been arrested on suspicion of attempted murder, a prosecutor's spokesman said here yesterday.

"If this case goes ahead, it will be the first criminal prosecution in the U.S. of someone alleged to have donated blood knowing it was contaminated with the Aids virus," said the spokesman for the district attorney's office.

Prosecutors are to decide today whether to charge the man, who was arrested Thursday and is being held in jail.

The investigation started when police, during routine questioning, discovered a receipt for the blood donation among the man's belongings.

It was then discovered that the man had been diagnosed by a Los Angeles hospital as having the deadly disease.

A spokeswoman for the American Red Cross said all blood collected by the organization was screened for the Aids virus and any blood that tested positive would be discarded.

'No freedom of speech in areas'

There is no freedom of speech in the territories, the State Attorney's Office asserted yesterday in response to a High Court appeal by a West Bank resident convicted of publishing inflammatory material.

The appellant, former An-Najah University spokesman Saeb Erakat, was convicted in April by the Nablus military court for writing an article that called on Palestinians to "endure, reject and resist [Israeli military rule] until we regain our freedom."

Prof. Erakat appealed his conviction, claiming that it violated his right to freedom of speech. Sentencing has been postponed pending the outcome of his appeal.

In its response yesterday, the State Attorney's Office cited an earlier Supreme Court ruling that in territories under military rule the authorities can limit freedom of expression. (11m)

Kohl to call for Mideast peace parley at EC summit

LUDWIGSHAFEN, West Germany (Reuters). – West German Chancellor Helmut Kohl said yesterday he would call for a Middle East peace conference at a European Community summit beginning today in Brussels.

Kohl told reporters after meeting Foreign Minister Peres that he "would support anything that would contribute to peace in the Middle East."

Speaking outside his home in the Rhineland city of Ludwigshafen, where the informal talks took place, Kohl said the conference should not come to any decisions but rather seek "to create a framework where decisions can be made." He said he would raise the issue in Brussels, but did not elaborate.

Peres said both he and Kohl believed an opportunity for peace existed at present and "should not be allowed to slip away."

"Quite the opposite, every opportunity must be used to reach a situa-

tion where we can come together with parties involved in the conflict and negotiate a peaceful solution to end a long and costly conflict," he said.

Both leaders said the Soviet Union could play an important part in finding a peaceful solution to the Middle East conflict, an idea resisted by the U.S.

The two leaders called on Moscow to grant exit visas to all Soviet Jews who wished to emigrate.

On Saturday night, Peres held talks in Bern with Swiss President Pierre Aubert and raised the question of an international peace conference.

Peres said moves towards a political solution must go hand in hand with international efforts to solve the region's economic problems.

Aubert said Switzerland would be willing to host a peace conference in the right conditions, as it had in 1973.

Bomb on Egged bus in TA

By JONATHAN KARP

TEL AVIV. – Police sappers yesterday morning exploded a bomb found on an Egged bus near the central bus station here. The explosion caused light damage to three buses parked nearby, but no one was injured, a police spokeswoman said.

A cleaning worker at the Egged parking lot on Rehov Solomon spotted a suspicious object in the trash basket next to the driver's seat as he was preparing the No. 370 bus for its return trip to Beersheba. He informed the driver, who had left the bus to get something to eat. The driver notified the police shortly before 11 a.m.

The driver, Hassan al-Zagarna of Hebron, said that after dropping passengers off at the central bus station, he drove to the parking lot and routinely inspected the bus interior.

District superintendent Arye Bibi yesterday told Army Radio that the police would investigate whether al-Zagarna had inspected the bus according to regulations.

No suspects have been arrested, police said. They did not know whether the bomb, which was wired to a watch, had been placed on the bus before it left Beersheba at 7:45 or only after it arrived in Tel Aviv.

Israel unfazed by plan to divert Yarmuk

Jerusalem Post Staff and Agencies

The Syrian plan to divert the Yarmuk River poses a greater threat to Jordan than to Israel, Agriculture Minister Arye Nehamkin told Israel Radio yesterday. The move by Damascus, aided by Moscow, could adversely affect Jordan's main farming area. Israel draws a small amount of irrigation water from the Yarmuk.

A senior Western diplomatic source in Tel Aviv told Reuters that the U.S. was very concerned and was

involved in seeking a solution. Earlier this year the *Financial Times* of London reported that Israel and Jordan had held secret meetings to reach a joint approach on stopping the Syrian project.

Nehamkin appeared to allude to this when he said in the radio interview: "I do not wish to add here what is known to me over and above what I have read and heard... I find it more convenient, for reasons that I will not divulge, to speak only of the major genuine concern, and that is

the concern of Jordan."

King Hussein held talks with Syrian President Hafez Assad in Damascus last week. Relations between the two countries have warmed over the last two years, after earlier tensions.

Nehamkin said: "I hope the Jordanians will not allow Syria to build a project that bears no relationship to long-standing agreements on the division of the Yarmuk waters among the parties concerned."

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	28.6.87	MIN.	MAX.	
AMSTERDAM	14	17	20	Cloudy
BRUSSELS	12	14	18	Cloudy
COLOGNE	12	14	18	Cloudy
FRANKFURT	12	14	18	Cloudy
GENEVA	12	14	18	Cloudy
LONDON	12	14	18	Cloudy
MADRID	12	14	18	Cloudy
MUNICH	12	14	18	Cloudy
PARIS	12	14	18	Cloudy
ROME	12	14	18	Cloudy
STUTTGART	12	14	18	Cloudy
ZURICH	12	14	18	Cloudy

*For the latest weather conditions contact Swissair.

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THE WEATHER

Forecast: Rise in temp

	Yesterday's	Yesterday's Today's	Max
Jerusalem	14	14-20	30
Golan	39	16-30	32
Nahariya	—	—	—
Safed	42	13-28	29
Haifa Port	—	—	—
Tiberias	54	19-31	35
Nazareth	54	17-28	30
Afula	45	17-31	34
Shomron	19	16-30	31
Tel Aviv	67	21-29	29
B-G Airport	32	19-29	31
Jericho	38	20-35	38
Gaza	35	20-26	29
Beersheba	17	18-32	34
Eilat	38	24-38	40

ARRIVALS

The mayor of Los Angeles, Mr. Tom Bradley, Judges Steven Reinhardt and Harry Pregerson and their wives, Mr. and Mrs. Thomas Spiegel and children, relatives and friends of Abraham and Edith Spiegel from the U.S. and Europe to participate in the dedication ceremonies of various buildings and facilities donated by Abraham and Edith Spiegel of Beverly Hills.

Emmanuel Women of America National President Beverly Segal and Mr. Martin Segal for the dedication of the Jossi Berger Holocaust Study Centre at Emmanuel Community College.

Treasury to give geriatric hospitals advance payment

By JUDY SIEGEL
Post Staff and Health Reporter
Within 10 days the Treasury will transfer advance payments to each of the country's 30 private geriatric hospitals equivalent to 50 per cent of their monthly budgets. The Health Ministry is about to appoint an arbitrator to decide the permanent per diem/patient subsidy, with former deputy finance minister Yehzekel Flumin a likely choice.

These decisions were taken yesterday, the same day that 2,000 elderly chronically ill patients were to have been evacuated by hospital owners. The owners relented in a meeting with the health minister on Friday, and agreed to the idea of an arbitrator and advance payments on an equal scale for all institutions.

Visiting rights restored to security prisoners

BEERSHEBA (Itim). — Family visiting rights for security prisoners here were resumed at the weekend, one-week after they were suspended for what prison authorities termed "insubordination."

Last weekend a Red Cross bus bringing families to the prison was turned back because of disciplinary infractions including the prisoners' refusal to stand up to be counted.

HOME NEWS

Haberfeld blames minister for lack of progress in wage negotiations

'Nissim is pawn of manufacturers'

By JEFF BLACK
For The Jerusalem Post
Histadrut trade union department head Haim Haberfeld lashed out at Finance Minister Moshe Nissim yesterday, blaming him for the lack of progress in the public sector wage negotiations that are due to resume on Thursday.

Speaking at a Histadrut central committee meeting in Jerusalem, Haberfeld, had pressured Nissim into refusing the just claims of the public sector workers.

Public sector employees have demanded a wage increase, a shorter

work week and improved pensions. Both Haberfeld and Histadrut Secretary-General Yisrael Kessar maintained yesterday that these demands did not threaten the country's economic stability.

Haberfeld also denied charges that the Histadrut was acting irresponsibly. He said that both the finance minister and the private employers know perfectly well that the country's workers and the Histadrut had played the primary role in ensuring the success of the economic recovery plan.

Kessar and Nissim were scheduled

to meet yesterday afternoon to discuss the present crisis but the meeting was postponed until this afternoon because of concern that yesterday's cabinet meeting would overrun its time.

Alongside the rhetoric, the administrative workers' union and the civil service union are continuing with their labour sanctions by holding information briefings for their workers during work hours. Haberfeld, for his part, announced yesterday that the trade union department's action committee would meet this week to decide on future

strategy if the deadlock continued. The civil service union, which is holding a two-hour meeting of its Tel Aviv district members this morning, has threatened a 24-hour total strike next month if the Treasury refuses to answer its demands for separate negotiations.

Reuven Ben-Ami, the union's secretary-general, said that if by July 6 he failed to get an answer from the Treasury, then the warning strike would follow a few days later.

Ben-Ami accused the government last night of "playing with us and the Histadrut."

New conduct code for rabbinical court judges

Dayanim need approval to engage in politics

Rabbinical court judges (dayanim) may not engage in politics or speak to the press without prior approval, according to a code of conduct drawn up last week by a rabbinical court committee and Ashkenazi Chief Rabbi Abraham Shapira, who is president of the Supreme Rabbinical Court.

The code, the first of its kind, also prohibits dayanim from publicly commenting on controversial public issues and from appearing on television or in public without the approval of the head of the Supreme Rabbinical Court.

Dayanim are permitted to lecture on Torah subjects, "but may receive payment for lectures only with the approval of the religious affairs minister."

Rabbinical court judges may not own or be employed by any business

and must refrain from behaviour that might give the impression of partiality towards any of the attorneys or litigants that appear before them.

These guidelines were distributed late last week by the rabbinical courts director.

In a related development, Religious Affairs Minister Zevulun Hammer yesterday said there was no legal justification for disciplining 20 dayanim who signed a petition opposing the registration of Reform convert Shoshana Miller as a Jew.

Hammer was responding to a petition filed in the High Court by MK Yair Tsaban (Mapam) calling on the court to order Hammer to discipline the justices on the grounds that their petition contravened a High Court order.

The court is to rule on Tsaban's petition tomorrow. (Itim)



Mayor Teddy Kollek signs a petition in Jerusalem yesterday calling for electoral reform. (Meir Zarovsky)

President Herzog at dedication: No consolation for the loss

Memorial for 1.5 million children at Yad Vashem

By ERNIE MEYER
Jerusalem Post Reporter

President Herzog said in Jerusalem yesterday that there was no consolation for the loss of the million and a half Jewish children who perished in the Holocaust. "These potential citizens of Israel were taken from us and it is our duty to turn their memory into a powerful demand, that the world pledge not to repeat such a crime," Herzog said.

He was speaking at the dedication at Yad Vashem of the memorial erected through the generosity of Abraham and Edith Spiegel of Beverly Hills, California, in memory of all the lost children and of their son Uziel, who was killed at Auschwitz in 1944.

The president had high praise for the architect who designed the unusual structure: "Moshe Safdie created a memorial beyond compare," he said.

Deputy Premier and Education Minister Yitzhak Navon said that while Hitler wanted to eradicate the Jewish people, "we must now fulfil the commandment to be fruitful and multiply," to increase the Jewish population in Israel and abroad. If there is one thing we can do against Hitler, that is it.

Yad Vashem executive director Dr. Yitzhak Arad related how the children were the first to fall victim to famine and sickness, the first to be selected for death.

The Nazis saw them as the future of the Jewish people, and therefore the first to be eradicated.

California builder and banker Abraham Spiegel, whose \$1.4 mil-

lion donation made the construction of the memorial possible, said: "I can't reconcile [myself to] or comprehend the horror. The memorial brings me no comfort or peace."

The memorial brings me no comfort or peace. The myriad lights inside the memorial reflect not only the lost children, but also their potential offspring, he said.

"We must guard our children and make sure that a similar fate can never happen to the children of any people, anywhere, at any time."

A message from former prime minister Menachem Begin to the Spiegels read: "I am unable to attend, but am with you in thought. Nothing like the Nazi sadism and barbarity has been known before or since.... We lost a creative generation.... With your enterprise you performed an important duty."

Mayor Teddy Kollek reminded the audience of over 500 that "nothing helps, you cannot forget." He thanked the Spiegels for their persistence during the "many years we thought about this project."

Los Angeles Mayor Thomas Bradley said that the world was indebted to the Spiegels "for the marvellous shrine they helped erect." He recalled that he had been with them 19 months ago for the groundbreaking ceremony.

Safdie said that 13 years ago, when Arad asked him to undertake the project, all the planners thought in terms of a testimonial. "But the more I entered into the material, the more I became convinced that what was needed was a *ner neshama*, a memorial candle, multiplied to infinity through its mirror image."

Over protests by Jewish groups

U.S. Senate votes to remove Romania's preferred status

By DAVID MAKOVSKY
Jerusalem Post Correspondent

WASHINGTON. — The Senate has voted to suspend preferential trade status for Romania for six months, despite strong pressure from Jewish groups not to do so.

The Senate vote of 57-36 reflects a similar decision on the issue made recently by the House of Representatives. Both are seen as a protest against the human rights policies of Romanian President Nicolae Ceausescu, who is widely considered to lead one of the most repressive regimes in the Eastern Bloc.

The decision could still be vetoed by President Reagan, who opposed the move.

Jewish organizations lobbied to maintain Romania's low-tariff Most Favoured Nation (MFN) status be-

cause the government allows 1,200-2,000 Romanian Jews to emigrate annually and also permits the Joint Distribution Committee to provide support for social services for local Jewish residents. Only about 22,000 Jews still remain in Romania.

Seymour Reich, international president of B'nei B'rith, called the Senate action "a mistake." He arrived in Bucharest yesterday for discussions with Romanian officials.

Artyeh Rubinstein adds: In Jerusalem, neither the Jewish Agency nor the Foreign Ministry would comment extensively on the Senate move.

The agency spokesman told The Jerusalem Post: "We know of no danger to Jewish emigration and we trust that things will continue as they have been up to now."

Police holding suspect in Haifa beach bombing

HAIFA (Itim). — Police yesterday arrested a man they believed was responsible for planting a bomb in the sands of the Carmel beach here. The bomb exploded on Saturday, seriously injuring Haddassa Schechter and lightly injuring her seven-year-old son Yarin.

Police and security forces searched the area after the explosion and held 23 people for questioning. All but one were released.

Haifa police have imposed a complete information blackout on their investigation. They are asking the public to watch out for suspicious objects on the beach.

Haddassa Schechter is recovering

in Rambam hospital following the amputation of her left foot.

Speaking at a memorial ceremony yesterday for 11 Lehi fighters who fell 41 years ago in Haifa, Prime Minister Shamir lashed out at those responsible for placing the bomb.

"The murderers who hid the bomb in the sand of Carmel beach, a bomb that was meant to destroy and kill, hid in the sand not only the fatal bomb but also their heads, because their eyes could not see that the murders of women and children will never gain them their objectives and they will only bring shame and disgrace on themselves and their people."

LAND

(Continued from Page One)
from blows to the head. A Border Policeman was wounded in the leg when a bullet struck him, apparently when he was pushing back the crowd. Al-Asa was hurt by a blow to the head.

The Judea and Samaria command said an investigation was under way to determine who exactly had opened fire. Twenty people were reported arrested.

In a separate altercation, al-Asa's brother, Khalil, opened fire at a car carrying villagers on the road between Obeidiyah and neighbouring Beit Sahur. A villager was wounded in the back. Earlier, angry villagers set upon Khalil al-Asa's home in the village, hurling stones through its windows.

The Judea district police last night released on NIS 5,000 bail the civilian security guards from the Moked company suspected of opening fire at Obeidiyah. Five villagers were also released, while seven others suspected of involvement in the violence are still being held. They include Khalil al-Asa.

FEES

(Continued from Page One)
two parliamentary initiatives was to decide in the cabinet to leave the two MKs who tabled private member's bills no choice but to withdraw.

One of the MKs, Dov Shilansky (Likud), would give all IDF veterans a substantial reduction in the university fees. The other Jacques Amir (Alignment), would give all IDF veterans a "demobilization grant" so as not to show favoritism to those entering university over those choosing other pursuits after their army stint.

Nissim said he saw no reason for the Treasury to pay anything in lieu of students' fees to the universities, and he proposed a fee of \$1,260 per annum with no subsidy to the universities.

Navon suggested a fee of \$1,200, plus a Treasury grant of \$8.5m to the universities to make up for the lower fees.

When the Ministers split 12:12 on a vote, Prime Minister Shamir sug-

Gov't waking up to seven-year-old Lavi questions

It appears that seven years after the project began and \$1,500 million was spent, the cabinet has woken up to the fact that someone has to decide about the monumental national enterprise — the Lavi.

So much has been written and said about the Lavi recently that the layman has no way of gauging the value of any given attitude. Moreover, now that the debate has sunk to the party political level it might be worthwhile to try to focus on the major issues.

First, is the Lavi the right plane for the Israel Air Force?

No one, not even the jet fighter's harshest critic, has said that the Lavi is no good. Some critics in the Air Force have claimed that the U.S.-built F-16 is as good as the Lavi and

One of the possible solutions, proposed recently, is some kind of financial juggling act that would allow the army to get its money while Defence Ministry reserves would be used to finance the Lavi.

This brings us to the next question: Will the Lavi cost more than the F-16?

This is very hard to determine since everyone has his own set of figures. However, it is clear that the F-16 is not a cheap plane. Furthermore, although the F-16 is a very fine aircraft, it is, technologically, 10 years behind the Lavi; and in order to upgrade its avionics to IAF standards, most of the short-term savings involved in buying the F-16s might be lost.

The crucial question here is: How many Lavis will be built? If, as originally intended, 300 will be supplied to the Air Force, the unit cost of a Lavi will not differ greatly from the price of an F-16 upgraded to Lavi standards. (The unit cost becomes intolerably high when only a small number is produced and these figures are sometimes quoted by critics.)

Finally, is the Lavi exportable? Bank of Israel governor Michael Bruno says no, and therefore the project, however financed, will remain an intolerable burden on the economy.

But perhaps Bruno is not aware of the fact that the Lavi's manufacturer, Israel Aircraft Industries, actively encouraged by Defence Minister Rabin, has been strenuously pursuing the possibility of going into partnership with a major American company. One year ago IAI signed a memorandum of understanding with the giant Grumman aerospace corporation detailing possible agreements on co-production and marketing.

A senior IAI source confirmed yesterday that Grumman is still interested in going ahead with the deal. The stumbling block is the Israel Government's indecision. No agreement can be worked out until there is a green light on the Lavi.

If a firm arrangement of co-production and marketing could be worked out with the Americans (for a product that has no American or European competitor in its specific class — advanced strike aircraft), this might open up markets for the Lavi that would transform it from an economic millstone to a major dollar-earner.

LAVI

(Continued from Page One)

Moreover, the delays have led to the intervention of the IAI's works committee, which transported workers to demonstrate in Jerusalem. Nissim Cohen, chairman of the national workers' union, threatened "we don't plan to sit quietly."

Weizman said he could accept a demonstration about wages, or political issues, but not over what weapons systems Israel should have.

Nevertheless Shamir said he did not expect a decision would be made in the next few days and he believed

many debates would be held before the vote.

The decision will also be postponed in Rabin visits the U.S. shortly. Rabin is considering such a trip, during which he will meet Defence Secretary Caspar Weinberger and Secretary of State George Shultz. Rabin will probably check the prospects of continued American support for Israeli development projects.

The U.S. allocates some \$300m a year to be spent here. Originally, the money was earmarked for the Lavi but Congress stated it could be used for other projects.

ALBERT CHIAT

Co-founder and first President, Netanya Bowling Club.
Deepest sympathy to Debby and children.

From:
Executive and Council, Israel Bowling Association
and Israel Women's Bowling Association

ALBERT CHIAT

Heartfelt sympathy to Debby and children.

From all at the Netanya Bowling Club

THE DAVID YELLIN TEACHERS COLLEGE

The Board of Directors, Faculty, Students and Staff share the sorrow of the Dean,
Dr. Norman Schanin
on the passing of his mother,

JEANE N. SCHANIN

With deep sorrow we announce
the sudden death of my beloved sister

KITTY BENYACOB

née Klipper

The funeral will take place today, Monday, June 29, 1987 at 11 a.m.
at the Kiryat Shaul cemetery.

Transport will be provided at 10:30 a.m. from the home of the deceased,
45 Gordon, St., Tel Aviv.

The Bereaved:
Aliza Schneider and the
family in Israel and abroad

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مركز الاعلام

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WEEKLY REVIEW

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In the Balance

Reagan Gets His Chance To Tilt the High Court

By STEVEN V. ROBERTS

SUDDENLY, President Reagan has been handed an enormous opportunity, perhaps the greatest of his Presidency, to leave his mark on the political and legal life of the country.

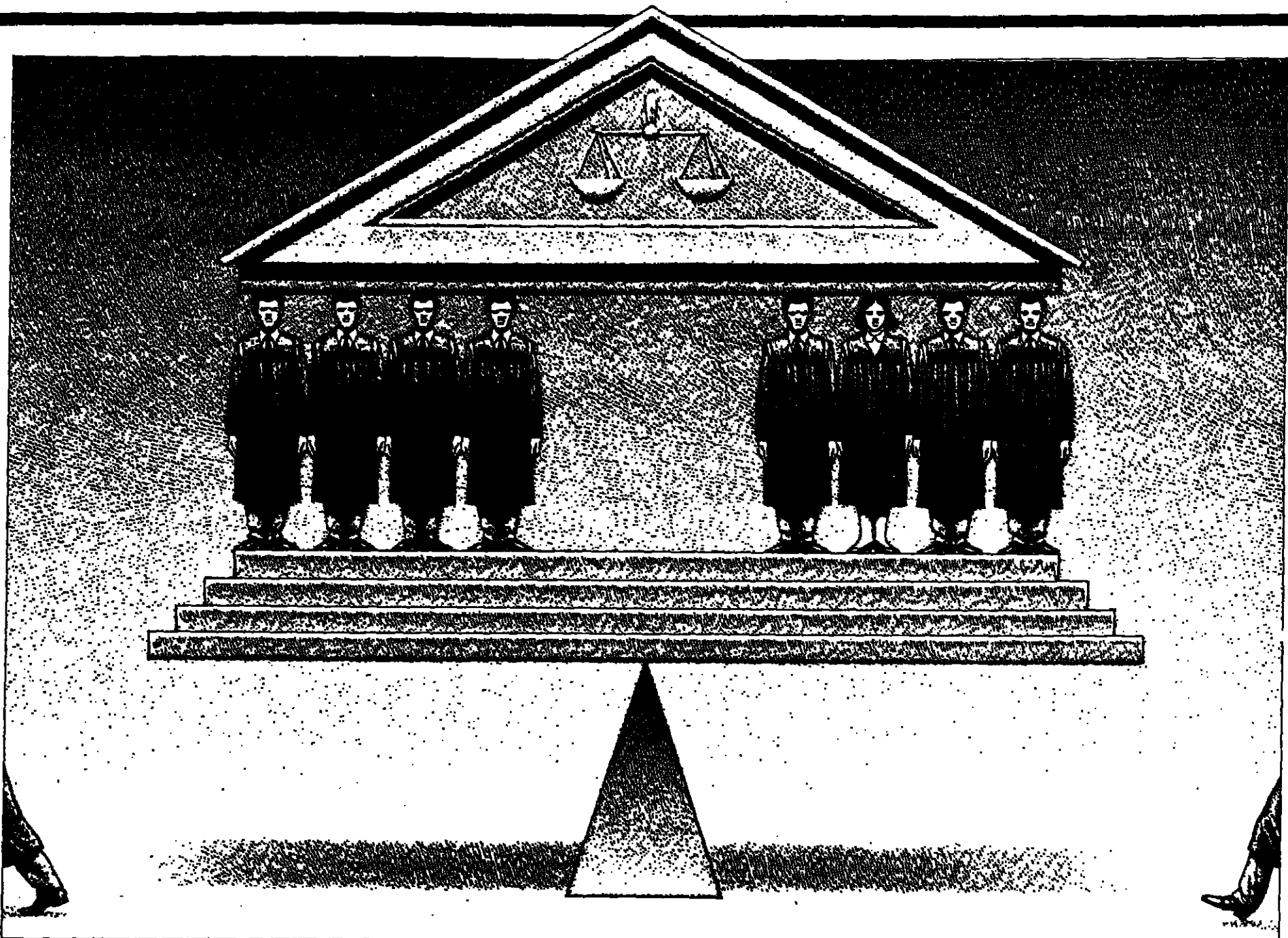
The startling announcement on Friday that Justice Lewis F. Powell Jr. was retiring could bring a historic transformation in the Supreme Court. The announcement came just as the Court was issuing the final opinions of the term, its first under the conservative Chief Justice William H. Rehnquist but one in which the Court's liberal-to-moderate coalition still held sway. Now that coalition, which was often cemented with Justice Powell's moderate vote, is more precarious.

The Powell resignation could also transform Mr. Reagan's final 18 months in office. Before the news broke, he was a President in failing political health, facing an aggressive Democratic Congress and an increasingly skeptical electorate. Those problems remain. But now Mr. Reagan has the chance to make the crucial appointment that could shape the Supreme Court in a way that would give new life to his social goals. Although Justice Powell has voted with conservatives on many issues, he has cast the critical swing vote on decisions favoring abortion rights and affirmative action. He has also been a supporter of civil liberties, civil rights and the separation of church and state.

"The President said in two elections that he intends to totally redo the Federal court system," noted Senator Patrick J. Leahy of Vermont, head of a Democratic group that evaluates judicial nominees. "He wants to change its position on abortion, to make some major curtailments in free speech, to change its approach on criminal matters and the rights of the accused."

"With the remaining lower court judges he has to appoint, and now with the chance to replace the man who has been the pivotal vote in a lot of 5-to-4 decisions, he's probably in a position to carry out the biggest of his campaign promises — to make a major change in the Federal court system for the rest of this century."

White House officials could barely contain their glee. They had almost given up hope that the man who was the Court's liberal-moderate bloc would leave the bench soon enough for Mr. Reagan to pick his successor. "It's one more chance to replace activist judges with folks that



have more of our kind of philosophy," said one senior White House official.

The conservative forces that came to Washington with Mr. Reagan have long resented "activist" judges. The real distinction to be made, they say, is not between liberals and conservatives, but between judges who make law and those who merely interpret existing law.

"Many of us believe," said the White House official, "that one of the biggest problems of the last 20 years has been the tendency of judges to act as if they were a national legislature, second-guessing local officials, mandating certain social changes that are not within the four corners of the Constitution."

Fighting the Court in Congress

Mr. Reagan and his allies have tried for years to persuade Congress to roll back many of the Supreme Court decisions they consider most obnoxious, including the legalization of abortion and the banning of organized prayer in public schools. They have consistently failed — a sign that the Court's rulings are perhaps more in tune with public opinion than is the Reagan ideology.

While Justice Powell's resignation surprised the President, he intends to pick a nominee "very soon," said Marlin Fitzwater, Mr. Reagan's spokesman. Mr. Reagan wants the new Justice in place when the Court reconvenes in October. The more quickly he moves, the harder it will be for the Democratic-controlled Senate to block

confirmation by delaying a decision until Mr. Reagan is out of office.

That is why Howard H. Baker Jr., the White House chief of staff, is determined to take control of the nomination process, fighting conservative forces at the Justice Department who might lean toward a nominee who cannot be confirmed. "The person has to be strong on the merits, and be able to withstand the closest scrutiny," said a White House aide. "For the first time, a nominee will have to go before a body not controlled by your party, so you have to take extra-special care that the appointment is confirmable."

Justice Powell's departure alarms Democrats, and they are ready for a fight. In the last Congress, before they gained control of the Senate, Democrats mounted a major effort against several lower court nominees and managed to defeat one of them, Jefferson Sessions of Alabama, though their prime target, Daniel A. Manion, was narrowly confirmed. While the President's elevation of Mr. Rehnquist to Chief Justice and his nomination of Judge Antonin Scalia as Associate Justice did not



Justice Lewis F. Powell Jr.

threaten to tip the Court, the moves were opposed by several key Democrats. Accordingly, the top priority at the White House is to find a candidate who can win swift approval. Federal appeals court judges, Robert H. Bork of the District of Columbia Circuit and Richard Posner of the Seventh Circuit in Chicago are frequently mentioned. Both were well-regarded legal scholars before going on the bench.

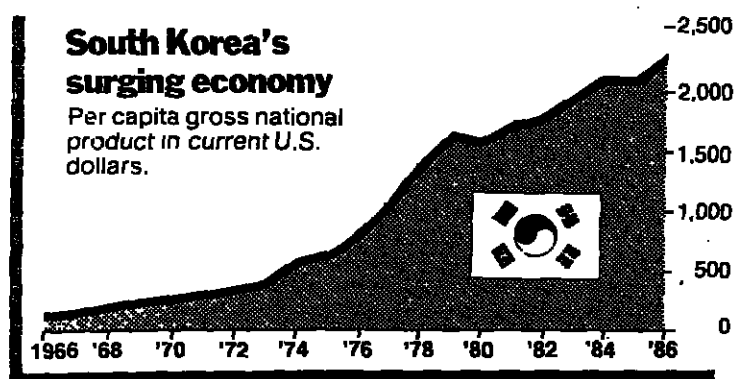
Some Democrats think the President might turn to Senator Orrin G. Hatch, a Utah Republican who serves on the Judiciary Committee. Although Mr. Hatch is a strong proponent of abortion, he might be treated more kindly than many conservatives by his fellow senators.

Unless the White House picks an extreme conservative with disputable legal credentials, the likely outlook is for reasonably quick confirmation. Mr. Reagan's two appointees on the current Court, Mr. Scalia and Sandra Day O'Connor, were confirmed unanimously. "If there is another Scalia or O'Connor out there," said one White House official, "I sure hope we know who it is."

Middle-Class Citizens Seem More Willing to Risk Their Futures for Democracy

South Korea's surging economy

Per capita gross national product in current U.S. dollars.



Average life expectancy at birth

1960 52.4 years
1985 68.1

Deaths in childhood

1960 61 out of every 1,000 children died before the age of four
1985 22 out of every 1,000 children died before the age of four

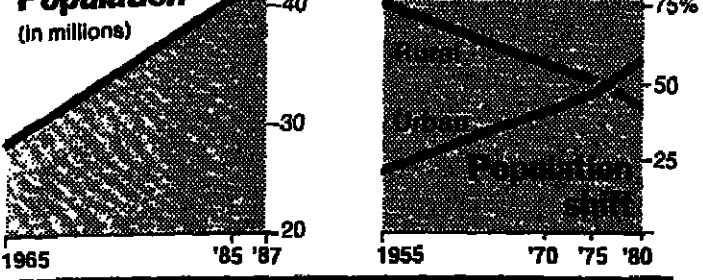
Health care

1965 One doctor per 2,600 people
1985 One doctor per 1,235 people

Education

1965 70 colleges and universities, 109,000 students enrolled
1985 201 colleges and universities, 1,277,000 students enrolled

Population



Other signs of prosperity

1965 One car per 2,200 people
1984 One car per 87 people
1965 8 telephones per 100 persons
1984 13.8 telephones per 100 persons

Sources: South Korean Embassy; U.S. Department of Commerce

Dissent Booms With Korea's Economy

By CLYDE HABERMAN

THE authoritarian Government here has long accepted on faith that as long as the economy keeps growing and as long as more people define themselves as middle class — acquiring Samsung television sets, Hyundai cars and Gold Star computers — South Koreans would not risk their gains by taking to the streets in the name of democracy.

To a large extent, the Government has been right. But the civil unrest of the last two weeks has begun to unravel that line of reasoning. South Koreans seem increasingly willing to put their bodies and perhaps their futures on the line to force change in a Government that has doled out concessions grudgingly and only under duress. Members of the ruling camp say they recognize that now. But whether they are prepared to give South Koreans more of what they demand, and in time to avert deeper trouble, is a question.

Last week, President Chun Doo Hwan made what he considered a major conciliatory gesture by sitting down for the first time with Kim Young Sam, an opposition leader. Mr. Chun lifted, although he then swiftly reinstated, the house arrest imposed for two months on Kim Dae Jung, another prominent dissident. He agreed to free most of the people arrested in the recent disorders.

More important, he reversed himself on the dominant issue of changing the constitutional way of choosing the national leader. Having suspended discussions on the subject in April, he said that talks should now resume. That, presidential aides said, showed his desire for "grand compromise."

To which the two Kims said, "nonsense," insisting that debate alone was not enough. They demanded that Mr. Chun, a former general who took power in late 1979, drop his plans to transfer power to his designated successor, Roh Tae Woo, another former general. Late in the week, there were reports that the ruling party was considering new compromise offers. The opposition went ahead with scheduled nationwide rallies, dominated by students and church dissidents who seem increasingly to be beyond the control of relatively moderate politicians like the two Kims. Friday night, the streets of Seoul and other cities were filled once more with tear gas and gasoline bombs, although the protests did not seem so severe as to increase the danger that the army would lose patience and step in.

Whatever the outcome, the disturbances underscore the extent to which South Korea's troubled politics are a product of its extraordinary economic growth. What Koreans call their "miracle" has been amply recorded but its scope can still leave one breathless. The economy grew last year

by 12.5 percent, and in the first three months of 1987 expanded at an annual rate of 15.6 percent. There are weaknesses, to be sure. Trouble could loom if oil prices suddenly shoot up, or if the currency, the won, becomes too strong, undermining exports. But the economy is strong, and despite worries about the long-range consequences of the present turmoil — especially for the 1988 Seoul Olympics — the boom goes on.

More than money is at issue. South Korea has a hard-working, disciplined population. It enjoys nearly universal literacy and a large, educated elite possessing advanced degrees from American universities. It is a society of growing pluralism and middle-class values. As affluence has spread, so has a yearning for the rights that often go with it — freedom of assembly, speech and press, and a desire for a truly civilian Government, something last experienced 27 years ago.

Gradual Retreat

How far the middle class is prepared to go to win these freedoms is arguable, but people from its ranks have recently been more conspicuous in the streets. So have laborers, who feel that low wages and long hours have excluded them from the miracle but who also have middle-class aspirations. College students, of course, remain the

foot soldiers of protest. They have seen themselves as the nation's moral conscience since the days of pre-World War II resistance to Japanese colonialism. A few are hard-core radicals, and some may be Communist-influenced. But most are the children of the middle class, who expect one day to take their place in corporate offices.

The military-backed Government has been slowly retreating under pressure for democratic change. Newspapers are less fettered than only a few years ago. Foreign travel is easier. Telephones do not seem to be tapped as consistently. Under relentless pressure from abroad, South Korea has allowed more access to foreign goods and ways of thinking.

Some have argued that the Chun Government has not been sufficiently constant, in its authoritarian ways, for its own good. Other fast-growing Asian countries, notably Singapore and Taiwan, have been tougher in dealing with dissenters.

The longstanding American presence has helped push South Korea toward reforms. The Reagan Administration has followed a policy of "quiet diplomacy," producing criticism when it has not spoken out against Mr. Chun's undemocratic excesses. Nevertheless, even quiet diplomacy can be heard, and the Americans' moderating influence is apparent. Even the 40,000 American troops here have an effect. Their Armed Forces Korea Network is available to most Koreans in big cities. It offers daily doses of American values, from lofty political ideals to soap opera.

In the end, the troubles turn on a familiar question: How much democracy can South Korea bear? Hardliners from the military, headed by Mr. Chun, argue that any disorder — a word that seems to encompass direct presidential elections — could undermine national security. Reminders of the threat from North Korea are constant, and were reinforced last Thursday, the anniversary of the outbreak of the Korean War in 1950. But the opposition asserts that a more democratic South Korea, blessed with a Government that can claim popular support, unlike this one, would be stronger than ever. The Kims and their followers say they are not too hasty, as the Government contends. They simply believe — as does a rising tide of South Koreans, their horizons widened by dramatic economic growth — that they have been shortchanged for too long in the name of stability and efficiency.



Gorbachev Bid

A push for the good life

3

The World

West Germany Will Try T.W.A. Hijacking Suspect

From the time he was arrested, West German authorities have resisted United States demands to extradite Mohammed Ali Hamadei. The 22-year-old Lebanese is suspected of taking part in the June 1986 hijacking of a T.W.A. airliner, in which an American Navy diver, Robert Stethem, was killed. Last week, Bonn made it official: Mr. Hamadei will be tried on air piracy and murder charges in Frankfurt, where he was caught in January with three bottles of a liquid explosive.

A few days after Mr. Hamadei's arrest, two West German businessmen were kidnapped in Beirut. The West German police then seized Mr. Hamadei's brother Abbas Hamadei, 26, who told them where to find more explosives. In April, the Hamadei brothers wrote to relatives in Beirut, saying they might avoid extradition to the United States if the German hostages were to be released.

That could still happen after the trial, members of the Stethem family suggested last week. However, President Reagan telephoned Patricia Stethem, the dead sailor's mother, to say that the West German Chancellor, Helmut Kohl, had promised that Mohammed Hamadei would be prosecuted vigorously.

Mr. Hamadei could be sentenced to life in prison. But there was no specific promise that he would not one day be traded for hostages, as West Germany has done in other cases. And with the Reagan Admin-

istration's arguments diluted by its record in the Iran-contra affair, Mr. Hamadei's chances for ultimate release, perhaps after a trial later this year, seemed relatively strong.

Two Hostages Freed

Charles Glass, an American journalist, covered the T.W.A. hijacking at Beirut airport in 1985 for ABC News. Two weeks ago, back in Beirut working on a book, he was kidnapped along with Ali Osseiran, the son of the Lebanese Defense Minister, and their driver, Suleiman Suleiman. Last week, Mr. Glass's companions were released but the American's whereabouts remained a mystery.

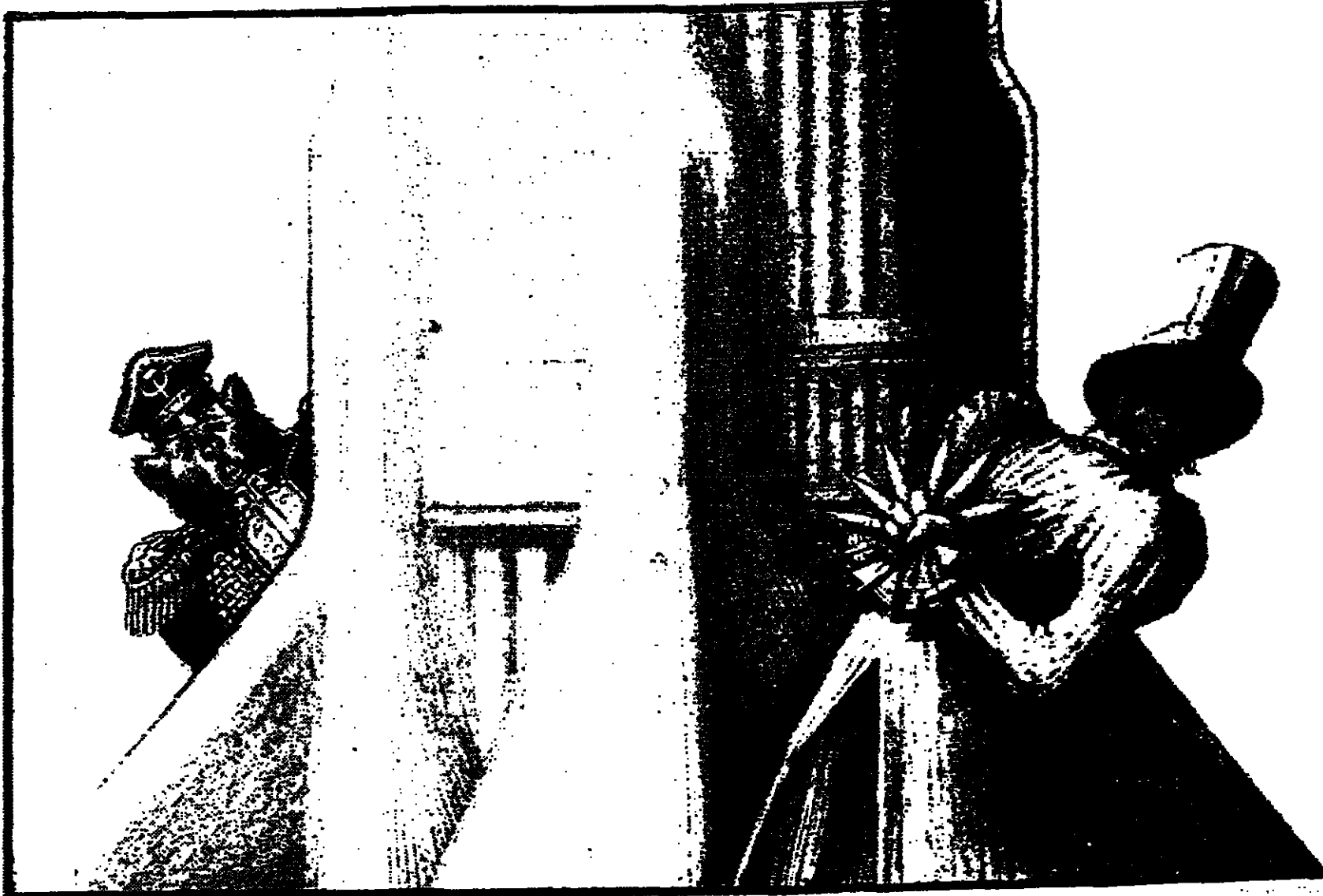
No group has claimed responsibility for taking Mr. Glass but security officials in Beirut said his captors were gunmen of the same pro-Iran group that kidnapped two Germans in January, and took responsibility for the T.W.A. hijacking.

Syria, which has assumed responsibility for security in Beirut, was credited with the release of Mr. Glass's companions. The state-controlled radio in Damascus said the kidnappers of foreigners were giving the Lebanese and Arabs a bad name and "must be confronted with every means possible."

President Reagan asked President Hafez al Assad for help in arranging the release of Mr. Glass and eight other American hostages. Vernon A. Walters, a Presidential envoy, will go to Damascus to renew ties that were frayed last year after the Syrians were implicated in an attempt to blow up an Israel-bound El Al plane.

Milt Freudenheim
and James F. Clarity

Nuclear Verification Cuts Both Ways



Agreeing How to Spy on Each Other

By MICHAEL R. GORDON

WASHINGTON
THE Reagan Administration has made much of its demand for stringent verification of arms control treaties and has accused its predecessors in the Carter White House of being soft on the issue. But now that the United States and the Soviet Union are

closer to agreement on reducing medium-range and banning shorter-range missiles, some Administration officials are finding that strict verification can be a double-edged sword.

Washington cannot demand the right to carry out extensive monitoring on Soviet territory without granting the Russians the same right. And some American intelligence experts are concerned that a possible treaty might let the Russians into sensitive facilities.

The Administration's objectives for verifying the new accord are ambitious. It wants an agreement that would allow each side to keep track of all designated types of missiles, including those in storage. Monitoring would be complicated, if only because the weapons in question can be moved around. The Administration treaty would ban American and Soviet medium-range missiles from Europe and permit each side to deploy 100 medium-range warheads elsewhere — but only in designated areas. All American and Soviet shorter-range missiles, with a range of about 300 to 600 miles, would also be banned.

There would be monitoring of the destruction of missiles but not of warheads which, under the American approach, could be used for other types of missiles. Each side would stake out the entrances to electronic fences around the other's factories and storage sites. A limited number of inspections would be permitted at known facilities for producing and storing missiles and "suspect sites" where they might be hidden.

Moscow has said it will agree to on-site verification. But Soviet negotiators have questioned the idea of establishing a permanent presence outside the factories and storage sites. Nor is it clear, American officials say, if the Russians will agree to the kind of inspections of suspected sites that the Americans say are needed.

Administration officials have criticized the Russians for talking mainly in generalities. But Washington also has yet to decide on some of the essential details in its plan.

American specialists are still arguing among themselves about procedures for special "challenge inspections" to be carried out at short notice at unspecified sites. The procedures are to be spelled out later in a protocol, a document attached to the proposed treaty.

There are three main views within the Administration on this:

Some Government experts advocate a virtually unqualified right to investigate Soviet sites, even if that means giving the Russians the same right here. Reflecting the Pentagon view, Richard N. Perle, the former Assistant Secretary of

Defense, said last week that no facilities should be put off-limits because that would give the Russians too much of an opportunity to cheat.

"Either you have an inspection regime or you don't," he said. "Having exceptions is like saying you are against adultery except twice a year."

Mr. Perle argued that provisions could be drafted to reduce the risk that the inspections could be used for extraneous intelligence gathering. If the Russians wanted to visit the factories that makes the Stealth bomber, for example, shrouds could be draped over the plane to obscure its form during the visit. The Russians would be deterred from using the treaty as an excuse to inspect sensitive sites unrelated to the sites by the knowledge that the Americans could retaliate with similar requests.

Some Central Intelligence Agency officials and other intelligence officials disagree. They do not want the Russians anywhere near their sensitive facilities. Some of them have said that hundreds of facilities should be off-limits to inspectors. They say the "challenge inspections" would be only a part of an overall verification plan that would still be effective, even if the right to carry out on-site inspections was not absolute.

A third group of Administration experts contends that the value of "challenge inspections" has been exaggerated. "On-site inspection is not a panacea for verification problems," Kenneth L. Adelman, director of the Arms Control and Disarmament Agency, said last week. History shows that on-site inspection can be thwarted. This group asserts that the Russians could always make excuses to delay an inspection and hide a violation, if they thought that the United States was about to catch them cheating.

At a high-level interdepartmental meeting last month, Administration officials were unable to resolve their differences. But when they are finally ready to take up verification with the Soviet Union, the Administration's internal difficulties may seem minor by comparison. Whatever agreements emerge will then face political tests in the United States Senate. Some conservatives who are skeptical about all arms control treaties are already arguing that the proposed accord will not be adequately verifiable.

Time is running short. The United States and the Soviet Union are pushing to complete a treaty before a meeting of the President and Mikhail S. Gorbachev, the Soviet leader, which could be held this year. Secretary of State George P. Shultz and Eduard A. Shevardnadze, the Soviet Foreign Minister, are expected to get together to assess the prospects next month.

Wives of Windsor Making Too Merry?

LONDON
It was an uneven week for the royal family. Tabloid coverage hit a peak of ferocity with reports that the Princess of Wales was romantically involved with a young banker. Then on Thursday, there was Queen Elizabeth at her regal best, opening the new Parliament by reading her annual speech from the Throne in the House of Lords.

By projecting an image of majesty leavened with sympathy for ordinary folk, Elizabeth II and her husband, Prince Philip, have built a solid popular foundation for the House of Windsor since her coronation in 1952. The success that she and her father, George VI, had in restoring the dignity and stability of the Crown following the abdication of Edward VIII in 1936 will almost certainly be counted by historians as their major achievements.

But the tabloids make another point. Britain's young royals today are projecting an entirely different image, and some "royal watchers" believe they may be too numerous, boisterous and undignified for a nation used to the sedate presence of Elizabeth II. Prince Edward, 23, has been lurching clumsily toward a show business career. Prince Andrew, 27, and his wife, the Duchess of York, are ubiquitous figures on the social scene.

In some quarters, it is thought that the Queen ought to narrow the spotlight, focusing more attention on Charles, 35, and on her daughter, Princess Anne, 36. The move to elevate Anne in title to Princess Royal is being regarded as an effort to give prominence to her increased interest in serious social issues such as world hunger and to marginalize the young princes. But the future of the House of Windsor rests with Charles and Diana together. After producing two heirs, they now seem to be pursuing ever more separate social lives. That fact alone is keeping the tabloids busy. And to Britons with long memories, the ability of the tabloids to make the royal family into soap opera characters seems a threat to the repair work that has gone on since Edward VIII abdicated to marry the woman he loved.

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הכרזה נא לא לה

A Revolutionary Departure From Economic Orthodoxy

Gorbachev Makes His Push for the Good Life

By PHILIP TAUBMAN

MIKHAIL S. GORBACHEV did not mince words about the Soviet standard of living when he addressed the Communist Party's Central Committee last week. Criticizing agencies and officials by name for failing to improve consumer goods and services, he said, "We cannot put up with the big lag in community and consumer services, with an unsatisfactory situation in passenger transport, communications, tourism, physical training and sport."

Mr. Gorbachev's impatience was evident throughout an impassioned speech in which he called for the most sweeping reconstruction of the economy since the 1930's. He proposed the partial dismantling of two building blocks of the Soviet system — centralized control of the economy and subsidized prices — and talked for the first time about probable dislocations in the work force.

Thursday's speech, and the Central Committee's strong endorsement of it the next day, marked a turning point in Mr. Gorbachev's drive to revitalize the economy, moving the debate from generalities to a plan for action that, if carried out, may rock the foundations of Soviet socialism. Although opposition to his initiatives is bound to intensify, Mr. Gorbachev emerged from the meeting in a stronger position to beat back resistance. He was bolstered by the appointment of three new full members of the Politburo, all considered to be his allies.

Mr. Gorbachev will need all the help he can get to achieve gains in the quality of Soviet life, the ultimate test of his initiatives. Despite bravado over the years about overtaking the West, and a period of improvement in the 1960's and 70's, the living standard now seems to be falling ever farther behind that of Western countries. Even Moscow's Eastern European allies seem to be pulling ahead. Reasons for the widening gap include the massive diversion of Soviet resources to heavy industry and the military, the indifference of many officials to consumer problems and a disregard for simple amenities such as decent housing and services.

The gap, exacerbated by Western technological advances, has become a source of urgent concern for Kremlin leaders, who see the issue as a test not only of their program for domestic change, but also of the Soviet Union's status as a world power.

"Some ministries treat the manufacture of consumer goods formally as a secondary matter; in some places, it is viewed only as a burden," Mr. Gorbachev said in his speech. "Can the situation be considered normal when repairs of housing, household appliances, the making of footwear and clothes both in the city and countryside become a great problem?"

Yegor K. Ligachev, the No. 2 party leader, also underlined the concern last month when he complained about lagging production of consumer goods, citing the trickle of video cassette players coming off production lines as a symbol of failure. Mr. Ligachev said that providing ample goods was "the question of questions and, if you like, the testing ground of competition between socialism and capitalism."

Not all comparisons with the West are unflattering. Although the Soviet standard of living is not lavish, there is little abject poverty and few people are homeless or out of work. But deep economic problems are apparent in a Moscow electronics shop, where hand-held calculators are the size of bricks and personal computers are prototype models that are not for sale. Indeed, computers of any kind are virtually invisible.

Although bread is plentiful and inexpensive, staples such as meat and butter remain in short supply. Long lines are the rule whenever anything exceptional, such as fresh strawberries or Italian shoes, turns up in the stores. New housing has increased greatly, but millions



Comparing costs

How many minutes (unless otherwise noted) of work time it takes an average industrial worker in Washington and Moscow to purchase various goods and services.

	Washington	Moscow		Washington	Moscow
One loaf of rye bread	18	11	A bar of soap	3	17
One chicken	18	169	Bus fare for two miles	7	3
One grapefruit	6	112	Baby sitter per hour	44	279
One liter of milk	4	20	First class postage stamp	2	3
One liter of red wine	37	257	Men's haircut	62	34
One head of cabbage	7	7	A pair of jeans	4 (hours)	56 (hours)
Three ounces of tea	10	36	A pair of men's shoes	6 (hours)	37 (hours)
Car wash	40	139	Washing machine	46 (hours)	177 (hours)

Note: Study conducted in October 1986

Source: Radio Free Europe/Radio Liberty

United Press International

of people still live in communal apartments.

The quality of services is atrocious. A new law designed to encourage greater individual enterprise, and to tap and tax the large underground economy, has so far failed to make much of a dent because budding entrepreneurs have encountered so much red tape.

A recent study by Radio Liberty showed that while prices in Moscow for most goods, which are heavily subsidized, are well below those in Washington, when compared at the official exchange rate, the low salaries here wipe out any advantages. Comparing weekly food costs, the study concluded that it takes more than three times as many working hours for the average Russian to pay

for the goods as it does for the American wage earner. With an average monthly Soviet salary of about 200 rubles — \$318 — the prices for unsubsidized goods such as cars (an average compact costs about \$12,700) and color televisions (about \$1,100) seem cruel.

It is hard to find Russians who are optimistic about achieving a living standard rivaling that in the West. They have heard too many unfulfilled promises of a better future. Most would be satisfied with some modest gains, but more than Mr. Gorbachev has so far produced. The only signs of change in Moscow this summer have been a slight increase in the availability of fresh vegetables and the proliferation of sidewalk lemonade stands.

Rebel Offensive

In Nicaragua, Forebodings Of Warfare Without End

By JAMES LEMOYNE

MANAGUA, Nicaragua

EVIDENCE of the accelerating war in the Nicaraguan countryside is everywhere. Food and almost everything else are in even shorter supply than usual in the capital, and more young men seem to be going off to join the army.

The Sandinista Government remains firmly in control, but a stepped-up offensive by the rebels appears likely to test its authority in rural areas, further divide the Nicaraguan people and severely strain the already crippled economy, a particular cause of concern. "With the damage of this war, we cannot even think about economic development for the years ahead," said the chief Sandinista official in the southern war zone of Nueva Guinea. "What we are dealing with here is economic survival."

But the Sandinistas are surviving and are likely to do so for some time. If the Reagan Administration, despite its denials, intends for the guerrillas to weaken Nicaragua in preparation for an American invasion, they may be serving their purpose. But if the Administration thinks the contras, as the rebels are called, will actually defeat the Sandinistas, the goal seems far-fetched. Should American aid to the rebels be renewed in the autumn, there is little indication that the Nicaraguan Government will be defeated. Even those who favor the contras say the rebels will have to fight for two to three years to seriously weaken the Sandinistas. Even then, there is no assurance of success.

The Sandinistas are proving formidable opponents. Troops in the countryside seem well-trained and motivated. They are effectively keeping the contras away from population centers. The ruling Sandinista National Liberation Front is politically resilient as well, with key jobs going to proven party members who are highly committed and pragmatic in their use of power.

But while the Sandinistas will almost certainly remain in command for the foreseeable future, their popularity appears to have badly slipped. They seem to have the support of the young people, who make up a majority of the population, and whose loyalty is reinforced by highly politicized schooling and military service. But the ruling party's standing among the peasantry and the older generation in the cities appears far weaker. In the poorer suburbs of Managua, once a bedrock of Sandinista support, denunciations of the Government — for everything from rationing to poor public transportation — are common. Few, however, show much enthusiasm for the contras. Many still view the rebels as illiterate peasants, prone to violence, who have a slim chance of victory.

"I don't like the Sandinistas. I wish they would be forced from power," said a woman selling ice-cream on a Managua street corner. "But I see the contras as more violent. We know nothing of them here."

Such perceptions are one reason the guerrillas have failed to gain more support in the cities. The contras are also still carrying out unpopular actions such as forcing peasants to join their ranks and attacking rural cooperatives. In addition, the contras seem to make little effort to explain their fight to the people or to persuade militiamen to lay down their arms.

Despite such shortcomings, the contras appear to be more of a military problem than the Sandinistas care to admit. In the northern town of Bocay, no traffic moves on the narrow lanes between 5 P.M. and 8 A.M. because of fear of rebel ambushes. Fighting occurs daily in central Zelaya Department, where the guerrillas are trying to establish a foothold. The bodies of Government soldiers were seen at a time when the Sandinistas said they exercised almost complete control in the zone. To the south, in Nueva Guinea, peasant support for the contras prompted the Government to move almost 6,000 people into camps last month.

The Rebels' New Weapons

With new "Red Eye" missiles, the contras have shot down at least two helicopters in the last six weeks, an important turn in a war in which the Sandinistas are almost completely dependent on helicopters to ferry troops and supplies. The contras can also be expected to use a recent shipment of land mines against Sandinista units much as leftist rebels in El Salvador have used mines against the Salvadoran army.

The Central Intelligence Agency has equipped the rebels with a computer center that intercepts and decodes hundreds of Sandinista radio messages a day. The intelligence is then sent via portable computers with special encoders to rebel units in the field. The C.I.A. also makes weekly air drops to the units, a highly effective tactic that has allowed the contras to remain inside Nicaragua rather than have to return to Honduras as they did in the past.

"The air operation is the key to the war," said a Western diplomat in Managua who monitors the rebels. "Without it, the contras couldn't make it."

What now lies ahead appears to be a debilitating war that the contras cannot win, but that the Sandinistas cannot bring to an end so long as the United States is willing to back the rebels. There is little evidence that such a standoff will force the Sandinistas to make the concessions Washington is seeking. But the Reagan Administration seems determined to test the issue in a war that is now well under way.



Nicaraguan soldiers boarding a helicopter.

Visit to the Vatican Arouses Anger and Confusion

The Moral Meaning of Meeting Waldheim

By ROBERTO SURO

AFTER talking with Pope John Paul II at length about his reasons for receiving the Austrian President, Kurt Waldheim, a senior Vatican official said, "The Pope is convinced that you either understand events at a moral level or you don't understand them at all." The official added, shrugging, "He does not care if that leaves politicians and diplomats feeling uncomfortable, because the moral always supercedes the political."

Indeed, many people were left feeling uncomfortable, if not outraged, by the honors and praise extended to Mr. Waldheim in the papal apartments last week. They included some church officials puzzled by the Pope's generosity toward a man battling accusations of a Nazi past. The most outspoken was the Archbishop of Lyons, France, the city where the former Nazi, Klaus Barbie, is on trial. Albert Cardinal Decourtray said, "I experienced a certain suffering on hearing that Pope John Paul II was going to receive Mr. Waldheim. I am still trying to understand the reasons for this visit, but I must say that I have not understood."

Ambiguity may be almost inevitable in an office that combines the roles of pontiff and statesman, but John Paul seems to have accentuated the difficulty. By insisting that his actions be seen from a moral viewpoint of his own choosing, he has asked people to ignore the politics of actions with clear political content. The politics implied in ceremonies honoring Mr. Waldheim and breaking the near-isolation that followed revelations of his World War II activities must be discounted, papal aides say, in favor of other, moral precepts, which many outsiders regard as equally political — presumption of innocence and respect for a democratically elected leader.

But in Chile the Pope appeared on the balcony of La Moneda Palace with the authoritarian President, Augusto Pinochet. In Latin America, there is no clearer symbol of political power than the palace balcony. None-



Pope John Paul II meeting at the Vatican with President Waldheim of Austria.

theless, his aides said, the Pope in no way meant to legitimize the Pinochet regime. They said John Paul's attitude toward democracy and human rights had been stated often and that although he did not criticize General Pinochet, he embraced Chilean dissidents.

Last week, Vatican officials insisted that there was no intent to render a judgment on Mr. Waldheim by receiving him. It is an age-old rule, they said, that a pope must maintain contact with all world leaders, and thus there would be no implication of approval of the character of the person received. When they met, however, the Pope praised Mr. Waldheim as a former secretary general of the United Nations "devoted to securing peace."

The Vatican insisted that John Paul's well-known stand on the sufferings of the Jewish people should remove any doubts as to his intentions. But some critics took issue with such fine distinctions. "Jews do not speak about differences between the temporal and the religious

because they see it as all one thing," said Theodore Freedman of the Anti-Defamation League of B'nai B'rith, who was at the Vatican last week to observe what he called "a dark day."

The Waldheim visit seems to have crystallized doubts in the minds of some Jewish leaders, who have become increasingly willing to contest John Paul's views. The stakes are high: More than 20 years of effort to foster Catholic-Jewish dialogue may be threatened, as well as the Pope's own substantial initiative to befriend a people he has called "our elder brothers." Conflict is growing over two issues of fundamental importance to Jews, both involving a complex blend of morality and politics.

One is the Vatican refusal to establish full diplomatic relations with Israel prior to an Israel-Arab peace settlement that would provide for the Palestinians. This time, it is some Jewish leaders who see a moral side to ostensibly political positions. They interpret the Vatican's rejection of Israeli sovereignty in Jerusalem and the church's insistence on an "international solution" there as a rejection of Jewish rule in the holy city.

Similarly, some Jewish activists such as Elie Wiesel, the 1986 Nobel Peace Prize winner and survivor-chronicler of Nazi death camps, have maintained that John Paul misinterprets the Holocaust because he does not accept its Jewishness. The Pope says Jews suffered the most, but emphasizes Catholic victims by beatifying and canonizing martyrs, notably Edith Stein, a convert who died at Auschwitz. Jews insist the Nazis killed her because she was born Jewish.

Moreover, in an open letter to the Pope last week, the American Jewish Congress acknowledged "the extraordinary heroism of so many individual Catholics," who aided Jews fleeing the Nazis, but went on to ask if it might be possible "that in Waldheim's forgetfulness there is an echo, however distant, of the church's forgetfulness as well? Has Your Holiness dealt with the indifference of the Catholic churches in Europe to the fate of the Jews during World War II?" After the Waldheim visit, the Pope seemed likely to face more such questions.

The Nation



Republicans Debate Strategy for Holding Onto the White House

By E. J. DIONNE Jr.

IF there was unanimity on one thing at the Republican National Committee meeting here last week, it was that "four more years" is not the slogan for the party's future.

"If they offer Ronald Reagan, Act III, or morning in America, it won't work," said Tom Cole, the Oklahoma party chairman, of the Republican Presidential candidates. Stephen King, the Wisconsin party chairman, said it would be "electorally foolish and perhaps fatal" for Republicans to go before the voters and say: "Didn't we do a great job?"

Even without the Iran-contra scandals, Republicans know that since Franklin D. Roose-

velt, no party has held the White House for more than eight consecutive years. And that piece of political history, combined with the decline in President Reagan's standing in the public opinion polls because of the Iran-contra affair, has many Democratic analysts, and some nonpartisan ones too, forecasting a Democratic victory.

That is far from the Republican view. For one thing, as last week's economic reports demonstrated, the news on the economy is quite good. "These numbers mean money in the bank, food on the table, a new car in the driveway and a more secure future," said Frank J. Fahrenkopf Jr., the Republican national chairman, reciting the litany of the American dream.

In fact, many Republicans argue, the party that has won four of the last five Presidential

elections — and carried almost every state in three of them — might even be considered the favorite. This is particularly so, many Republicans think, because the Democratic field has not yet produced a strong candidate.

Haley Barbour, national committeeman from Mississippi, adds that his party is far stronger than it was at the end of the Eisenhower Administration, the most comparable period. Now, he said, the Republicans are competitive with the Democrats throughout the South, which they were not in 1960, when Richard Nixon almost won anyway.

Indeed, the South is looming so big that Mr. Fahrenkopf spent much of his time last week urging conservative Democrats to vote in Republican primaries. He did so only a few days after moderate-to-conservative Democrats organized a meeting in Atlanta de-

signed to prevent just that.

But the New Orleans meeting also showed striking diversity in the Republican recipes for resurgence and victory.

If Mr. Cole, the Oklahoma chairman, has his way, the strategy of the party and its eventual nominee will involve attack, attack and more attack. Even at the risk of seeming "strident," he said, Republican candidates "have got to scare the American people" about a Democratic victory.

The Democrats ought to be presented as the party of taxes, "special interests," "defeatism" on trade and retreat abroad, Mr. Cole said. "If the election is seen as being between two nice guys or two competent guys, we lose," he added, proposing instead "intensity and ideological polarization" and explaining: "We win a conservative versus liberal race. We lose a Republican-Democratic race."

But Gordon Durnil, the Indiana chairman, argued that the Reagan era was over and added: "I don't have any doubt that the people want a more activist government now than they did in 1984 or 1980." When Mr. Reagan was elected, he said, voters "wanted lower taxes, lower inflation, people back to work. Now they say, 'O.K., that's done, what's next?' What's the next is compassion."

Picking the Turf

Mr. Cole and others, however, worry that such an approach would have the election run on what has been traditionally Democratic turf. Mr. King, the Wisconsin chairman, said that Republicans had cause to be anxious. "The patent has run out on our ideas," he said. "The Democrats have conscripted them." Spencer Abraham, the Michigan chairman, credited the Democrats with "learning how to say things that are appealing to people in the middle of the spectrum."

With both parties so solicitous of the center, Mr. Barbour of Mississippi predicted that the 1988 contest would be very sophisticated and very close. "It won't be about 'yes or no' but about 'not enough or too much.'"

That, of course, is at the heart of the national debate over the budget deficit. Blake Hall, the party chairman from Idaho, said he feared the deficit would be an issue in 1988 in a way it was not in 1984. "At this point, the general electorate doesn't believe that either party has the ability to get the deficit under control," he said, "and maybe they're right."

From Mr. Barbour's point of view, however, the deficit issue will work for the Republicans just fine. "The American people tend to look at the deficit in terms of spending

Economic Pulse Cheering Up Incumbents

FOR incumbents concerned about their own and their party's prospects, last week's economic reports were welcome.

On inflation particularly, the news was "very good," said Lyle E. Gramley, a former Federal Reserve governor who is chief economist for the Mortgage Bankers Association. According to the Consumer Price Index, one of the most politically sensitive economic measures, retail prices rose a modest three-tenths of 1 percent in May.

Most experts agreed that the report of the smallest monthly increase this year meant that inflation at the consumer level would run at between 4 and 5 percent for 1987. Earlier in the year, economists were worrying about the falling dollar, which tends to push up prices of imports, and the possibility of sharply higher energy prices.

But energy prices have pretty much stabilized. So has the dollar — but not before, many analysts say, it did what United States economic policymakers had wanted it to. And though huge trade deficits are expected to remain into the 1990's, wholesale prices for factory goods in the United States are now at least as attractive as prices in Japan and West Germany.

"Imports have flattened and exports have risen," said Robert G. Dederick, executive vice president and chief economist at the Northern Trust Company. "The basic message is, yes, there has been a turn."

too much," he said, "not taxing too little."

That, of course, is President Reagan's view, pressed in stumping speeches in Florida last week. Mr. Cole's "attack" strategy fits in well. "We need to take the Democratic alternative budget and cram it down their throats," he said, relishing the prospect.

The world may not be so simple for the Republicans. For one thing, the Democrats can point to public opinion polls showing that voters favor cuts in military spending, and that is exactly what they are proposing as an alternative to tax increases.

Nor, as Eddie Mahe, a Republican consultant, said, is it quite so easy to call the Democrats "weak." The Iran-contra scandals, he said, will hurt, not because the Nicaraguan rebels are unpopular but because selling weapons to the Ayatollah Khomeini's government depletes the greatest Republican asset: its image as a party of "strength."

The Industry's Clout in Congress Raises Eyebrows

Savings-Loan Units Flex Their Lobbying Muscles

By NATHANIEL C. NASH

THE local savings and loan association may look like just another storefront on Main Street. But to members of Congress and Federal regulators, the collective force of the 3,200 savings and loans, plus their roots in individual districts, make them a power to be reckoned with and listened to.

The thrift industry flexed plenty of muscle in the Capitol in recent weeks, as legislators debated how to bail out the depleted fund that insures their deposits. In addition, a number of severely troubled Texas thrift institutions brought Representative Jim Wright, the House Speaker, to their aid in battles with Federal regulators.

No one disputes that Mr. Wright telephoned top officials of the Federal Home Loan Bank Board,

which oversees savings and loans, to complain that its actions against the troubled thrift institutions were unduly harsh. But Bank Board officials bitterly charge that the Speaker, a Texas Democrat, improperly tried to influence specific enforcement actions. Mr. Wright, through aides, denied unethical conduct, saying he was trying to help his state's thrift industry in general.

The dispute illustrates the fine line that members of Congress walk between serving their constituents and meddling with the regulatory enforcement process. Some former regulators see Congressional inquiries as all in a day's work. "I don't think anybody should be surprised when agencies are bombarded by Congressional inquiries, especially when it involves constituents," said Thomas P. Vartanian, a Washington lawyer and former general counsel to the Bank Board. "I think the line a Congressman should not cross is saying to the regulator that he wants a certain result. And that can often be subtle — through winks, nods or voice inflection."

But other regulatory experts say that while members of Congress have a right to make their views known on policy issues, any intervention in ongoing enforcement should be off limits. "The enforcement process should be totally immune to political interference," said Richard C. Breeden, who served as deputy counsel to Vice President Bush.

This is by no means the first time a politician has found himself the center of dispute involving thrift institutions. In 1985, Governor Richard Celeste of Ohio and Governor Harry Hughes of Maryland saw their political fortunes shaken by runs on privately insured thrifts in their states. Many attributed Mr. Hughes's subsequent failed race for the Senate to the Maryland thrift crisis. And the House Banking Committee chairman, Ferdinand J. St. Germain, a Rhode Island Democrat, has been accused of improperly seeking favorable regulatory treatment for a Florida savings and loan. He was cleared in April after the House ethics committee had investigated this and other dealings for 14 months.

So the Wright affair, many say, is simply another illustration of how inextricably the thrift industry is linked to the political process, both locally and in Washington. Personifying that political prowess is the industry's largest trade group, the United States League of Savings Institutions. Almost every member of Congress has at least one league member in his or her district, and thrift executives often become chairmen of campaign



Jim Wright, the Speaker of the House.

finance committees. In addition, the thrift industry's lobbyists are often joined by a host of others from powerful groups involved in housing — home builders, realtors, mortgage bankers.

"You're talking about financing the American Dream, and Congressmen listen to that," said Richard T. Pratt, a former Bank Board chairman now an executive at Merrill Lynch.

In April that power was most acutely felt by members of Congress, when the league brought more than 200 thrift executives from around the country to lobby for a league-backed \$5 billion package to recapitalize the insolvent Federal Savings and Loan Insurance Corporation. A \$15 billion package, which would involve greater long-term indebtedness for the industry, was backed by the White House and the Bank Board and was supported, at least tacitly, by Mr. Wright and Mr. St. Germain. The \$15 billion bill lost by a stunningly wide margin.

"My congressman, who is Republican, called me up and asked me how he should vote, and I told him the \$5 billion package," said one thrift executive. "And he said, 'The White House is telling me to vote on the \$15 billion, but if you say so, I'll go with \$5 billion.'"

That \$5 billion in aid and a Senate-passed measure to inject \$7.5 billion into the insurance fund are part of major banking legislation now before a conference committee.

Deregulation since 1980 has enabled thrift institutions to invest in nonhousing industries. Some believe this wider focus, plus the fragmenting of the industry between multibillion-dollar operations and more traditional mortgage lenders, may reduce its lobbying effectiveness. But others note that a more deregulated industry has attracted large numbers of real estate developers and speculators, much like those Mr. Wright sought to help. "And these people are heavily into the political scene, having worked the process at every level," said one regulator. "That's the type we are seeing more and more of in Washington."

General Dynamics Charges Dropped

Fumbling the Ball On Defense Fraud

By PHILIP SHENON

IN its much-publicized war against fraud by defense contractors, the Justice Department is trying to regroup after its most embarrassing surrender.

Quietly, just before last weekend, Federal prosecutors abandoned a 19-month-old fraud case against the General Dynamics Corporation and four current and former employees. The indictment had said they illegally billed the Government for multimillion-dollar cost overruns, but belatedly examined documents showed that the billing was proper under the company's contract to build a prototype of the Sergeant York anti-aircraft gun. Among those cleared was James M. Beggs, a former General Dynamics executive who had been forced to resign as Administrator of the National Aeronautics and Space Administration because of the indictment.

As Mr. Beggs demanded — and was denied — a formal apology from the Justice Department, members of Congress promised new scrutiny of its mixed record on prosecution of fraud by defense contractors. "This was supposed to be the case that symbolized the department's newfound aggressiveness," said Senator Charles E. Grassley, Republican of Iowa and a longtime critic of the department. "This is a major disappointment. I was sure we had seen the worst of the Justice Department's incompetence."

While acknowledging a serious mistake, the department moved quickly to blunt the criticism. By week's end, it had announced actions against two other large defense contractors, the Avco Corporation and the Gilfillan division of ITT Corporation, both of which had worked on missile projects. In the Avco case, the company agreed to plead guilty to making false statements that resulted in the overpayment of \$1.5 million on defense contracts; it is to pay \$4.6 million in fines and damages. In addition, a Boston grand jury indicted Gilfillan and a former employee for conspiring to defraud the Government in preparing bids for contracts.

The Justice Department argues, with some justification, that its successes against contractors are often

ignored. "We indict when we have the evidence," said Victoria Toensing, a Deputy Assistant Attorney General. "These are not easy cases, but we're going to keep after them."

Measuring the Government's record in prosecuting fraud by military suppliers is not easy, if only because this campaign is relatively new. While Congressional fulminations have occurred over many years, the Justice Department and Pentagon rarely took criminal action against defense contractors until 1982. Following widespread reports of waste in the Reagan Administration's military buildup, the Justice Department and the Pentagon created the Defense Procurement Fraud Unit to specialize in cases against contractors. According to the Administration, a special effort was needed because of the large number and extreme complexity of Pentagon contracts. In the last few years, the Justice Department has brought charges against a number of prominent arms makers, including Rockwell International, GTE and Litton Industries.

Pleading for Time

Nevertheless, critics on Capitol Hill and elsewhere say the Reagan Administration still hesitates to prosecute many of the largest defense contractors and their executives. Just last month, prosecutors announced that a separate three-year investigation of General Dynamics's billing for nuclear attack submarines had not found prosecution warranted. A study last March for the Joint Economic Committee of Congress found that while there had been some progress, the Justice Department's efforts were still hindered by "systemic weaknesses," especially "in complex cases involving major contractors."

For now, the Justice Department and the Pentagon are pleading for time, saying they have reached a level of expertise that will soon result in new, important criminal cases. But with the dismissal of the indictment against General Dynamics, Congress seems more impatient than ever. Said Senator William Proxmire, a Wisconsin Democrat: "There is a scandal not only in the fact that defense fraud is occurring but also in the fact that the Justice Department is ill-equipped to deal with it."

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Iran-Contra Hearings: How Boring

President Reagan says he's bored by the Iran-contra investigations. "When you get a mile and a half away from the Potomac River, there are an awful lot of people that have gone back to their favorite television shows and I don't blame them," Mr. Reagan said recently. Boring indeed, the last few days of hearings.

How dull to discover from committee counsel, reading dry words into the hearing record, that William Casey's C.I.A. was deeply involved in the arms-for-hostages deal long before the agency even sought the necessary legal authority from the President. How dull also to find out that two agency cables proving that involvement are missing from the files.

It was tedious of Charles Cooper, an Assistant Attorney General, to testify that according to Attorney General Edwin Meese the President expressed surprise when told that Iran arms sale proceeds had been diverted to Nicaragua. But there was not a word to suggest that Mr. Reagan was angry.

How soporific it was to learn that Mr. Casey lied to the House Intelligence Committee when he said that the secret November 1985 shipment to Iran contained "oil-drilling equipment," not missiles. Representative Bill McCollum was indignant, not bored, to learn that Mr. Casey and two former national security advisers, John Poindexter and Robert McFarlane, had misled Attorney General Edwin Meese on this point.

Was it merely ho-hum that Mr. Meese gave a day's notice to John Poindexter, the national se-

curity adviser, that he would be going to the White House to look at the Iran-contra files? According to Senator Warren Rudman, the Attorney General thus "telegraphed" a critical move and gave time for a shredding party — enough paper "to fill up half of a boxcar."

What about the retired C.I.A. technician who installed a \$14,000 antiterrorist system at the suburban residence of Oliver North, certified Presidential Hero, got paid by Richard Secord out of Iran arms proceeds, and covered up the gratuity to the colonel? Even Senator Orrin Hatch and Representative Henry Hyde, two of the most easily bored White House defenders, were moved by this. Senator Hatch said he had been "let down." Representative Hyde called it "sleazy."

Perhaps the testimony next month of Oliver North himself and of John Poindexter, the former national security adviser, will win closer White House attention. After all, much of the bargaining with Colonel North over the last two weeks had to do with legislators' concern for the President. They reportedly feared that the witness might blurt out for the first time in public what Mr. Reagan knew and when.

As this record is spread before the television cameras, it brings many words to mind, none of them boredom. Arrogance, for instance; carelessness; mindlessness; irresponsibility; illegality. A President who cared that his White House was shown wildly out of control would be furious. Why is this President yawning?

To Keep the Big Apple Big

The United States Life Insurance Company plans to move 500 claims processors, half its back office, from lower Manhattan to new quarters in Neptune, N.J. From New York City's point of view, it might as well be the planet Neptune. J. C. Penney announces a move to Texas. It's another blow. NBC threatens to move to New Jersey. Even the threat transmits a reverberating shiver — and a question that almost every city must ask itself:

How much should a city bend over backward to keep such businesses; when does reasonable accommodation become appeasement?

In New York's case, there are practical steps that could be taken starting tomorrow morning, if Mayor Koch, the City Council and the State Legislature would bestir themselves.

The departure of United States Life highlights New York City's need to retain corporations that pay the taxes and generate jobs. Given increasing competition, particularly New Jersey, New York has to devise a strategy. The starting point is the New Yorkness of New York. It may not be able, dollar for dollar, to meet rents in New Jersey. But many companies will pay more to be at the heart of the world's commercial center, for efficiency as well as prestige.

Still, while it remains the Big Apple in many respects, New York can do much to improve its competitive position:

Business Tax Cuts. The city could sensibly cut or drop certain corporate taxes. Cuts could be across the board, in an effort to hold companies already here; or targeted, to attract new companies, as recently done in the outer boroughs. The city has also urged Albany to reduce the general corporation tax and increase the no-tax threshold of the unincorporated business tax. These merit speedy approval.

The commercial occupancy tax, imposed upon businesses renting space in the city, is resented as unfair. No other city has such a tax. It's a prime candidate for abolition.

To offset the revenue loss, the city might increase property taxes, with emphasis on one-, two- and three-family homes. Owners now pay in taxes about 1 percent of full value, far less than in neighboring suburbs. Increasing these taxes would be hard to swallow politically. But they would be preferable to losing the city's job base.

Outer Borough Development. The city would do well to continue its strategy of providing state-ments for new housing and tax and energy exemptions to companies moving to the outer boroughs. Citicorp is expanding to Long Island City; an office tower for Morgan Stanley is rising in downtown Brooklyn. The Brooklyn Army Terminal is attracting Manhattan printing and garment firms. Garment factories have relocated to the Bathgate section of the South Bronx.

The loss of manufacturing jobs continues; some of these jobs can be saved by borough-oriented industrial retention and relocation assistance programs. The city's future depends almost as much on thriving business districts in Jamaica, Long Island City and downtown Brooklyn as it does on Manhattan.

Improved Public Services. Buses and subways are improving. The police are being strengthened. But there are still mountains to be moved in upgrading public education to equip young persons to join a work force relevant to New York's future as a financial and communications center.

The Board of Education runs two successful high schools that prepare students for careers in business and another geared to communications. More such schools deserve support. So does the board's plan to create a high school to prepare students for careers in international finance.

New York City has enjoyed seven fat years. Cranes crowd Manhattan's skies. But all the apartments and offices, old and new, depend on jobs. Jobs, ever more mobile, can disappear. The lean years could come back quickly to a city that is unprepared.

Fearful Justice

Justice is supposed to be blind but blind ignorance is what some judges and court officers display toward defendants with AIDS, even those merely suspected of having the disease.

A Westchester judge, Nicholas Colabella, recently moved a drug defendant's sentencing out of his small courtroom to an outdoor parking lot because the offender was suspected of having AIDS. The judge ordered the change in the apparent belief that "lots of space and sunshine" would reduce risk to court personnel. Likewise, a Fresno, Calif., judge, John Gallagher, barred the public from the courtroom when he arraigned a prostitute known to have AIDS-related complex. The bailiffs all wore rubber gloves and the defendant was required to wear a surgical mask.

Such precautions were absurd. All medical evidence shows that the virus is not casually transmitted but requires mingling of blood or fluids, as in sexual intercourse with a carrier or sharing of hypodermic needles. Judge Colabella tried to defend his antics by asserting that an AIDS-infected defendant might go berserk and bite someone. Whether or not bites can spread the disease, that could happen outdoors as well as in.

Judges are supposed to do justice, not parody it with mindless fear.

Summer Guilt

Once, when June turned hot, middle-class parents fretted with guilt over the idea of allowing the kids a do-nothing summer. How nice for Ann or Andy if Mom and Dad could afford to pack footlockers and send them away to a world of canoes and campfire songs, to laugh in musty cabins and get crushes on their counselors. How regrettable if the children would have to make do with the local swimming pool and soda fountain.

Topics of The Times

But summers come and go, and worries change. Today's two-worker families find camp a necessity, lest kids become bored latch-key waifs. Thus, summer campers were full long before the heat came: the local soccer program in June, six weeks at camp in Maine and then the family vacation in August. A stimulating summer, but one that raises new pangs of guilt: Why shouldn't Ann and Andy be allowed some late mornings in bed, lemonade, a good book and lazy hours alone in a hammock?

Albany Yankee

New York's major-league baseball teams suddenly have another player, off the field: John Dunne, Republican State Senator from Long Island. During a three-day stand in Albany, Mr. Dunne killed two measures strongly opposed by the Mets and the Yankees.

One, championed by Richard Brodsky, an Assembly Democrat, would have required alcohol-free sections and other measures to curb rowdiness at games. Another measure, sponsored by John Deane, Democrat of the Bronx, would have forced the Yankees to broadcast more games on free television as a condition of receiving \$72 million in subsidies for a parking garage and railroad stop at the stadium. It's bad enough that most Yankee games this year are being carried only on pay cable. That also means most New York City fans outside of Manhattan can't see the games at any price, since Manhattan remains the only borough extensively wired for cable.

Mr. Dunne acted without first consulting the Assembly or nailing down concessions from the teams. George Steinbrenner, the Yankee owner, has since announced he will experiment with alcohol-free seating after next month's All-Star break, a welcome step. But what about the Mets? Mr. Dunne says if voluntary measures aren't enough, the Legislature can do more later. Baseball fans know what that kind of talk means. Wait till next year.

Letters

Where Business Ethics and Self-Interest Meet

To the Editor:

In his June 14 Op-Ed article, "Ethics Doesn't Start in Business Schools," the new dean of M.I.T.'s Sloan School of Management, Lester C. Thurrow, displayed a highly defensive stance. It is distressing that a man in such an influential position appears more concerned with fixing the blame than with fixing the problem.

Even more distressing, however, is his view that ethical behavior can be achieved only by "sacrificing self-interest for the common good." Implicit in that view is the assumption that self-interest works against the common good. Does Mr. Thurrow really believe that our society is so morally bereft that self-interest has become synonymous with self-aggrandizement and greed?

Is self-interest not inherent in the concept of honest dealing? Is it not self-interest which propels us to try to make the world a better place in which to live?

The idea that self-interest must be sacrificed for the good of the team (society) is a negative and narrow view of what motivates human behavior. What we need is not to limit the role of self-interest but to expand and enlighten our view of what constitutes self-interest. We are not, after all, hermits but individuals who are dependent upon one another. Ethical behavior will come about only when we realize that it is in our self-interest to do unto others as we would have them do unto us.

JOAN MARSHALL
President, Contempo Communications
New York, June 16, 1987

The last 25 years American industry has suffered serious losses because of breaches or erosions of ethics by educators and practitioners of industrial management. There have been economic losses quantified in terms of productivity, shares of U.S. and foreign competitive markets or manufacturing employment. There have been nonquantifiable losses of corporate morality, i.e., of trust, loyalty, bonds of agreement and commitment by stakeholders in American industry's products and processes.

Unlike physicians or lawyers, the professional ethic of industrial managers is to serve and promote growth of corporate stakeholders, who have diverse or even conflicting interests: financial shareholders or creditors, customers, suppliers, employees and citizens of communities or nations affected by corporate decisions. Schools of management assume that society confers on them the responsibilities for researching knowledge and educating students in the art or science of management. So the case for their instilling business ethics is strong and clear.

Dean Thurrow is quite correct in reminding us that sustaining ethics is not a new problem, but when he writes that "injunctions to 'be good' don't

cal development for more productive, less destructive effects on humanity and nature. Students of my classes in industrial management object as strongly to covert technical, financial or legal violations by bureaucracies of industry or government as their peers who major in economics, humanities or political science.

To suggest that, since American business schools are inextricable parts of our society, their faculty and students have no special obligations to improve corporate ethics is a cop-out at a time when America needs such improvement more than ever before.

ROBERT B. MCGARRAH
Professor of Policy and Operations Management, Univ. of Massachusetts
Amherst, Mass., June 16, 1987

The Legal Limit

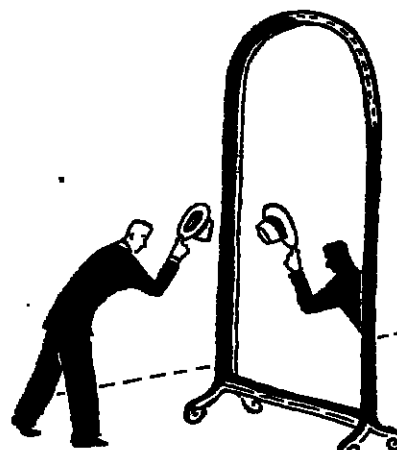
To the Editor:

Lester Thurrow makes reference to a bumper sticker he believes depicts the current state of American ethics: "The Man Who Dies With the Most Toys Wins." And he says that ethics does not consist of asking one's lawyer, "Is it legal?" The question, he says, should be, "Is it right?" I believe, however, that in a competitive business environment, "Is it right?" can be economic suicide, and that in a democracy, "Is it legal?" is a pretty good norm for determining business behavior.

It is up to elected officials to set the rules by which the society operates, and that may be why questions of right and wrong loom large in electoral politics.

Both the Senate and the House are at present considering children's television issues as they focus on communications legislation. In discussing whether or not any particular legal mandate will help to provide a creative, informative, nourishing menu for children's television, they should keep in mind that children, in order to make the best ballot-box choices when they grow up, should be learning from television something besides "The Child Who Has the Most Toys Wins."

PEGGY CHARREN
President
Action for Children's Television
Cambridge, Mass., June 13, 1987



Brain Crum

sway young men and women in their late 20's," I have difficulty. For they are the vanguard in efforts to improve industry's management of technology.

Schools' Responsibility

To the Editor:

Dean Thurrow states that "if [business students] haven't been taught ethics by their families, their clergy-men, their elementary and secondary schools, their liberal arts colleges or engineering schools or business firms where most of them already worked prior to getting a business degree, there is very little we can do." This implies that business schools have no unique responsibilities for research, education or practice by industrial managers.

There can be no doubt that during

The Pope Could Not Shun Kurt Waldheim

To the Editor:

Regarding Pope John Paul II's meeting with Austrian President Kurt Waldheim, I am reminded of the inability of the news media and so many others to see the papacy as anything but a political office, to be scrutinized solely within political parameters.

To his disadvantage (in the political sense), the Pope must measure his conduct against a creed other than political expedience. He is bound by the example of Jesus Christ, who similarly was excoriated for the company He welcomed. How could He have associated with "sinners and tax collectors," giving the appearance of legitimacy to the oppression of Caesar? His answer, courageous and simple, might well be directed to John Paul's critics today: "Those who are healthy need not a physician; sick people do. Go and learn the meaning of the words 'It is mercy I desire and not sacrifice.' I have come to call not the self-righteous but sinners" (Matthew 9:12-13).

Mr. Waldheim's past is a source of very deep and distinctive pain for the Jews. However, regardless of where he stands on the righteousness scale (which is not our's to know), he can be no worse than a sinner, no worse than those Christ welcomed. While it remains unfortunate that one with his background has attained so high an office, to shun him the Pope shuns Christ's example. This he cannot do, and should not be asked to do.

JOHN M. MARMORA
Oakhurst, N.J., June 22, 1987

To the Editor:

The Vatican seeks to justify the official visit of Kurt Waldheim by saying that the Pope will meet with anyone, even sinners, and that a meeting does not imply approval. But is this not the same Vatican that forbade Cardinal O'Connor to meet officially with Israeli leaders in Jerusalem?

DANIEL KOHANSKI
New York, June 21, 1987

There Are Good Reasons for Doctors to Sell Drugs

To the Editor:

As dermatologists who sell drugs in our office, we can add perspective to your June 11 Washington Talk article about efforts to make this practice illegal ("Selling Drugs: The Role of Doctors").

Our primary motivation is to permit our patients to complete their required treatment by reducing their costs. We bypass the repackagers, mentioned in your article, and buy directly from pharmaceutical houses at deep discounts, often saving our patients 50 percent or more. Patients are also spared the time-consuming chore of having to go from store to store to find a drug

that is not commonly prescribed. Although the potential for physicians' overprescribing exists, an equally serious problem is the harm done by pharmacists who continue to refill medications without supervision and contrary to the physician's prescription. We have seen many patients with skin damage due to this practice.

Our sale of drugs is done at a profit, as is the pharmacist's. Profits, per se, are not evil and on occasion can aid in achieving a public good. We believe this is so in our case.

DIANA ELLEN TRUSKY, M.D.
STANLEY JAY LEWIS, M.D.
Middletown, N.J., June 12, 1987

All the Goetz Verdict Says Is That There Was Room for Doubt

To the Editor:

The verdict in the Goetz case has been misinterpreted far and wide, notably in two Times editorials (June 17 and 18) and by various spokespeople around the city.

The verdict of acquittal was neither a finding of fact as to what happened on the train, nor was it a judgment of Bernhard Goetz's conduct. A verdict of acquittal is simply a finding that the prosecutor's version of the case has not been proved beyond a reasonable doubt.

This analysis is not academic or theoretical: the jurors are actually told by the judge, slowly and carefully, that they must consider whether guilt has been proved beyond a reasonable doubt. If guilt has not been so proved, they are instructed, the verdict must be "not guilty." The jury is not told to find out what happened. An acquittal is therefore not a statement that a defendant did or did not do anything in particular.

All this is commonplace with judges, lawyers for both sides and

most jurors, as shown by post-verdict interviews in any number of cases and even statements by Goetz jurors. The public, though, wants something more definitive from trials than skepticism, i.e., a finding that a particular version of events was not proved beyond a reasonable doubt. And, of course, many want to use the Goetz verdict to prop up their particular agenda.

A sample of what passes for thinking on this subject can be seen in the oft-repeated statement "You know what would have happened if white men had been shot by a black man," as if this utterance is either factual or analytical. Of course we don't know what would have happened in court, and no-

body has produced such a precedent.

The Goetz verdict is, finally, the inevitable result of the reasonable-doubt requirement as it bears on touchy judgmental issues such as justification for use of deadly force. The solution to systemic skepticism in self-defense cases lies in increasing gun-possession penalties, because the Goetz problem would not arise if there were real deterrence from carrying guns, and the question of whether somebody carried a gun without a permit is easily answerable even under the reasonable-doubt requirement.

PETER LUSHING
Professor of Law
Benjamin N. Cardozo School of Law
Yeshiva University
New York, June 18, 1987



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سكرا في الام

Reagan's Thumbprint

If you're wondering about Ronald Reagan's legacy as President of the United States, look to the courts. His domestic policies have sunk in a sea of red ink. His foreign policy is ending in scandal, but his thumbprint will be on the judiciary into the 21st century.

With the retirement of Lewis F. Powell Jr. of Virginia, Mr. Reagan will be able to appoint his third Supreme Court justice. In addition, he has already appointed a Chief Justice of the United States and 290 or almost 40 percent of the 741 lifetime judges in courts of Federal jurisdiction.

In short, he's running out of everything but luck. The chances are that more than half of all the Federal district judges and appeals court judges in the country will be of his choosing before the end of his second term, or to put it more accurately, of Attorney

General Meese's choosing, which is not a particularly comforting thought.

Mr. Meese will put somebody in Justice Powell's place, but replacing him is not the same thing. He was one of the most judicial, and civil, gentlemen who ever sat on the Court, faithful only to his own character and the Constitution.

When observers here say his was often the decisive vote in 5-to-4 decisions, what they mean is that neither the conservatives nor the liberals knew how he'd come out on President Reagan's social agenda and had to do their best to persuade him. Mr. Meese may be glad to see him go, but not the other members of the Court.

It is true, however, that in the Supreme Court's first full term under Chief Justice Rehnquist and with the addition of the new conservative, Justice Antonin Scalia, the liberals and moderates, usually with the vote of Justice Powell, managed to prevail.

This coalition, led by Associate Justice William Brennan, rejected a challenge to the death penalty, and even a case involving the use of income tax returns in death penalty cases.

It also followed the liberal line on affirmative action cases, on the right of working women to pregnancy leaves, on asylum for political refugees and the teaching of creationism in public schools.

With the retirement of Justice Powell, however, this coalition may not prevail, particularly on the controversial issue of the right to abortion, which he supported.

Nothing is riskier in Washington, however, than predicting how the Court will rule, no matter how vigilant

Ed Meese is in recommending judges he thinks will vote "the Reagan way."

All you can do is look at the record, and here the tendencies of this Administration, particularly under the guidance of Mr. Meese, are fairly clear.

For one thing, Mr. Meese gets these lifetime appointees when they're comparatively young. The average age of the second-term Reagan appointees was 42.2 years, younger than the appointees of the previous four Administrations.

On average, they are not only younger but richer than their predecessors, which is another argument for raising judicial salaries; and in Reagan's second term, his appointees had

less judicial experience than those of the previous four Administrations.

Even so, while the Reagan appointees voted more conservatively than their predecessors, and while Mr. Meese has presided over the most systematic ideological screening system since Franklin Roosevelt's first term, Sheldon Goldman, in a careful analysis for the American Judicature Society, concludes that "there is no objective evidence that a 'litmus test' in terms of specific policy views has been employed to accept or reject candidates."

Justice Powell didn't give the President advance notice that he was retiring. He apparently considered that the age of 79 was an appropriate time to go home, and didn't want to quit in a Presidential election year when the question of his replacement would have become a partisan political issue.

So the President will now look around, and he's getting plenty of ad-

vice. President Nixon once asked Senator Howard Baker if he was interested in a Court seat but withdrew the suggestion after Mr. Baker said he was. Now, after a spell in the White House, Mr. Baker might think the Court looks pretty good.

Then there are at least two conservative and distinguished Reagan appointees on the appeals court — Robert Bork and Richard Posner — and if the President is in a fighting mood, he could turn to his favorite cheerleader in the Senate, Orrin Hatch of Utah.

Mr. Hatch aside, any respectable conservative on Mr. Meese's short list will undoubtedly be confirmed, and the President can go home feeling that the courts, if nothing else, are in fairly sound conservative hands. Then if he can strike an arms deal with the "evil empire," he will leave something behind. As Casey Stengel said in retirement, "You can't lose them all."

Look
to the
courts.

The Colorization of Films Insults Artists and Society

By Woody Allen

In the world of potent self-annihilation, famine and AIDS, terrorists and dishonest public servants and quack evangelists and contras and Sandinistas and cancer, does it really matter if some kid snaps on his TV and happens to see "The Maltese Falcon" in color? Especially if he can simply dial the color out and choose to view it in its original black and white?

I think it does make a difference and the ramifications of what's called colorization are not wonderful to contemplate. Simply put, the owners of thousands of classic American black and white films believe that there would be a larger public for the movies, and consequently more money, if they were reissued in color. Since they have computers that can change such masterpieces as "Citizen Kane" and "City Lights" and "It's a Wonderful Life" into color, it has become a serious problem for anyone who

cares about these movies and has feelings about our image of ourselves as a culture.

I won't comment about the quality of the color. It's not good, but probably it will get better. Right now it's like elevator music. It has no soul. All faces are rendered with the same deadening pleasantness. The choices of what colors people should be wearing or what colors rooms should be (all crucial artistic decisions in making a film) are left to caprices and speculations by computer technicians who are not qualified to make those choices.

Probably false, but not worth debating here, is the claim that young people won't watch black and white. I would think they would, judging from the amount of stylish music videos and MTV ads that are done in black and white, undoubtedly after market research. The fact that audiences of all ages have been watching Charlie Chaplin, Humphrey Bogart, Jimmy Stewart, Fred Astaire — in fact, all the stars and films of the so-called Golden Age of Hollywood — in black and white for decades with no diminution of joy also makes me wonder about these high claims for color. Another point the coloroids make is that

one can always view the original if one prefers. The truth is, however, that in practical terms, what will happen is that the color versions will be aired while token copies of the original black and white will lie around preserved in a vault, unpromoted and unseen.

Another aspect of the problem that one should mention (although it is not the crucial ground on which I will make my stand) is that American films are a landmark heritage that do our nation proud all over the world, and should be seen as they were intended to be.

One would wince at defacing great buildings or paintings, and, in the case of movies, what began as a popular entertainment has, like jazz music, developed into a serious art form. Now, someone might ask: "Is an old Abbott and Costello movie art? Should it be viewed in the same way as 'Citizen Kane'?" The answer is that it should be protected, because all movies are entitled to their personal integrity and, after all, who knows what future generations will regard as art works of our epoch?

Yet another question: "Why were directors not up in arms about cutting

films for television or breaking them up for commercials, insulting them with any number of technical alterations to accommodate the television format?" The answer is that directors always hated these assaults on their work but were powerless to stop them. As in life, one lives with the first few wounds, because to do battle is an overwhelmingly time-consuming and pessimistic prospect.

Still, when the assaults come too often, there is a revolution. The outrage of seeing one's work transformed into color is so dramatically appalling, so "obvious" — as against stopping sporadically for commercials — that this time all the directors, writers and actors chose to fight.

But let me get to the real heart of the matter and to why I think the issue is not merely one that affronts the parties directly involved but has a larger meaning. What's at stake is a moral issue and how our culture chooses to define itself. No one should be able to alter an artist's work in any way whatsoever, for any reason, without the artist's consent. It's really as simple as that.

John Huston has made it clear that he doesn't want "The Maltese Fal-

con" seen in color. This is his right as an artist and certainly must be his choice alone. Nor would I want to see my film "Manhattan" in color. Not if it would bring in 10 times the revenue. Not if all the audiences in the world begged or demanded to see it that way.

I believe the people who are coloring movies have contempt for the audience by claiming, in effect, that viewers are too stupid and too insensitive to appreciate black and white photography — that they must be given, like infants or monkeys, bright colors to keep them amused.

They have contempt for the artist, caring little for the moral right these directors have over their own creations.

And, finally, they have contempt for society because they help define it as one that chooses to milk every last dollar out of its artists' work, even if it means mutilating the work and humiliating the culture's creative talent.

This is how we are viewed around the world and how we will be viewed by future generations. Most civilized governments abroad, realizing that their society is at least as much

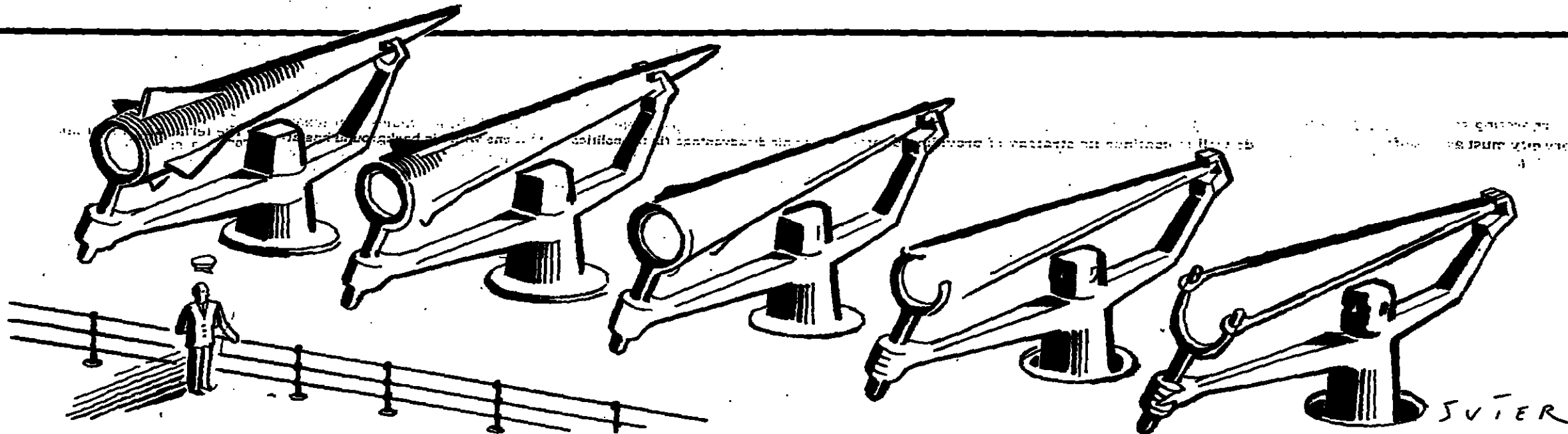
shaped and identified by its artists as by its businessmen, have laws to protect such things from happening. In our society, merchants are willing to degrade anything or anyone so long as it brings in a financial profit.

Allowing the colorization of films is a good example of our country's regard for its artists, and why I think the issue of moral rights requires legislative help and protection.

The recent Federal copyright decision says that if a human being uses a certain minimum amount of creativity in coloring a black and white film, the new color version is a separate work that can be copyrighted. In short, if a man colors "Citizen Kane," it becomes a new movie that can be copyrighted. This must be changed. How? By making sure that Representative Richard A. Gephardt's film integrity bill is passed. It would legalize the moral rights of film artists and, in the process, make colorization without consent illegal.

It is, after all, a very short step to removing the score from "Gone With the Wind" and replacing it with a rock score under the mistaken notion that it will render it more enjoyable to young people.

Woody Allen, a writer, actor and director, has made 16 films.



Why Compromise Our Deterrent Strength in Europe?

By Bernard W. Rogers

MONS, Belgium

Military strength and political will are both necessary for the North Atlantic Treaty Organization to deter aggression, but the alliance has also long recognized the need for dialogue with the Soviet Union. A central element of NATO's approach is arms control.

NATO's strength, however, is threatened by a recent proposal in the talks on intermediate-range nuclear forces. The plan would eliminate the longer-range missiles in this category and reduce short-range weapons on each side. Such a move would harm the credibility of our deterrence, the ability to prevent aggression.

I have held that position for six years, since the plan was first put on the negotiating table. Arms control must not be an end in itself, and political leaders should guard against the natural tendency to seek short-term political success at the price of increasing military risk in the long run.

Deterrence is in the mind of the beholder — the Soviet Union. The Russians must perceive that any aggression against the West will result in more pain than gain for them.

NATO decided to deploy land-based, long-range I.N.F. missiles in 1979 to fill a gap in our spectrum of deterrence. The gap existed because American F-111 aircraft based in Britain were then the last remaining part of the theater nuclear system that could reach Soviet soil, provided the aircraft could penetrate Warsaw Pact air defenses. The fact that the Russians began deploying SS-20 missiles in 1977 made the NATO decision more urgent.

Removing the land-based intermediate-range nuclear forces now would return NATO to its weak, pre-1979 posture. In fact, because the

Russians have continued to improve their conventional and nuclear forces, NATO would be in an even worse position now.

To establish credible deterrence, two capabilities, listed in NATO's guidelines for using nuclear weapons, are vital: the ability to strike, with certainty, targets deep in the Soviet homeland (only Pershing 2 missiles meet this requirement), and a number of nuclear escalatory options between conventional forces and the use of strategic nuclear forces.

The proposed I.N.F. agreement would eliminate the Pershing 2 missiles and thereby remove the first capability. It would also eliminate a crucial escalatory option. The result would be a reduction in the credibility of NATO's deterrence.

Nonetheless, the I.N.F. proposal has been promoted by NATO political officials for the last six years, even though a number of them recognized, after the Reykjavik summit meeting, the folly of having done so.

How can allied governments now tell their people that they made a mistake, that they did not expect the Russians to agree to the reductions? Right or wrong, there will most likely be an agreement (assuming verification procedures are worked out) on eliminating long-range I.N.F. weapons. Political credibility — admittedly important — of governments, parties and national leaders will thus have assumed a higher priority than the credibility of our deterrence. What NATO must do now is to bolster that credibility.

A solution aimed toward that objective would include three points: linking the elimination of the remaining longer-range I.N.F. weapons to a satisfactory agreement on conventional and chemical weapons; reaching a lower and balanced level of shorter-range weapons by converting Pershing 2 missiles to shorter-range Pershing 1B's; retaining the 72 Pershing 1A's and their warheads in West Germany to balance the 600 Soviet Scud missiles aimed at Europe.

Although the elimination of our Pershing 2 missiles would prevent NATO from attacking Soviet targets quickly and with certainty, at least the Pershing 1A's and 1B's would let us strike

targets located in western Poland, East Germany and Czechoslovakia.

Some people may assert that what I have suggested is infeasible. But if the Russians are as fearful of the Pershing 2's as it appears, and if they are prepared to pay the price to eliminate them, why should we pre-emptively concede that they won't accept such proposals? At least, let's try.

Throughout the arms control debate, I have been concerned by glib rationales presented by people who try to justify the so-called zero-zero plan, which would eliminate some intermediate-range and short-range weapons.

One rationale is, "Aren't the 4,600 warheads in Europe enough for adequate deterrence?" (This number was mandated at a NATO defense ministers meeting in 1983. Often overlooked is the fact that NATO has reduced its nuclear warheads from 7,000, unilaterally, since 1979.)

That is the wrong question. It should be, "Once the 572 long-range I.N.F. warheads are eliminated, what

is the composition of the remaining warheads?" They consist of a few maritime depth charges (range 0), many artillery shells (9.5 miles), 95 Lance missiles (72 miles), 72 West German Pershing 1A's (450 miles) and bombs for dual-capable aircraft, which can carry conventional and nuclear bombs.

Given the necessity to set artillery and the Lance missile systems well behind the forward edge of the battle in order to protect them from enemy fire, only the West German Pershing 1A's can strike with certainty deep into non-Soviet Warsaw Pact territory. Our aircraft are limited in the range they can travel and by Warsaw Pact air defenses.

So it is more than just numbers of warheads involved. The real questions are: "Does NATO have the appropriate systems to hit targets we need to hold at risk, and do the Soviets know we can do it?"

Another rationale often heard is, "Since the Russians are giving up more warheads than NATO, this has

to be a good deal for the West." Again, it is not numbers that matter. The Russians would lose only a very small fraction of their capability to strike Western Europe since every one of the thousands of Soviet warheads remaining, including intercontinental ballistic missiles and submarine-launched ballistic missiles, can still reach Western European soil.

On the other hand, the I.N.F. agreement would deny NATO the very weapon most feared by the Soviet Union — the Pershing 2 — and thus the most effective deterrent, thereby reducing the credibility of our overall deterrence and creating zones of unequal security in the alliance.

A third rationale is, "NATO can use the submarine-launched ballistic missiles committed to the Supreme Allied Commander in Europe." While this is technically feasible, I believe it is politically infeasible today, as it was in 1977 to 1979, when NATO governments protested strongly against using "strategic" weapons for theater nuclear purposes. Moreover, al-

though the Russians can discriminate between the launching of land-based ballistic missiles and the launching of submarine-based ballistic missiles, they cannot tell whether those being launched from submarines are part of the Supreme Allied Commander's limited inventory or from the American or British strategic nuclear inventory. Thus, they cannot know whether the West has begun an all-out nuclear attack.

Finally, a zero-zero accord would require NATO to bolster the credibility of its deterrence. The most critical step would be to improve conventional forces by exploiting our technological superiority — for example, with the so-called follow-on forces attack program.

Dual-capable aircraft must be protected from elimination no matter how enticing Mikhail S. Gorbachev's potential offer in this category may seem. We can protect them by hardening shelters, improving the aircraft defenses and their ability to penetrate Warsaw Pact air defenses.

NATO must also modernize its nuclear capability, as NATO defense ministers recommended in 1983, long before an I.N.F. accord seemed possible. This means developing a new air-to-surface Standoff missile and a follow-on to the Lance missile, improved artillery fired atomic projectiles and completion of the Trident submarine programs.

A strong NATO is the West's best guarantee for a future of peace at the lowest possible level of risk. Arms control agreements that enhance our security and maintain a credible deterrence can reduce risks. But agreements made solely to boost the political objectives of NATO officials will reduce NATO's capability to deter the Russians. NATO must not sacrifice long-term deterrence for short-term political expediency.

The United States and its allies should evaluate very carefully, and honestly, the long-term consequences of arms proposals. No pact should be signed today that NATO countries will regret tomorrow — when current political leaders are no longer in power — leaving our people, especially in Western Europe, to live with the results.

Bernard W. Rogers retired last week as Supreme Allied Commander in Europe, a position the general held for the last eight years.

After the Waldheim Visit

By Jacqueline G. Wexler

For more than a quarter of a century, I have cherished the actions of Pope John XXIII and Vatican Council II for exorcising the devil of anti-Semitism from our great faith tradition.

In the ensuing years, great strides have been made to rid our liturgy and our theology of substantive and linguistic content that explicitly or implicitly fostered anti-Semitism.

It is precisely because of these decades of positive decisions and direc-

tion that Jews and many Roman Catholics are not only pained but also incredulous that Pope John Paul II chose to receive President Kurt Waldheim of Austria in an official state visit and seems not to have used the visit to exhort him toward public contrition for his Nazi affiliations.

Many church leaders and Catholic laymen had held some hope he would do so.

Many had also hoped that the Holy Father, as universal pastor, would have used the occasion to exhort Austrian Catholics to purge themselves of the substantive and symbolic anti-Semitism that has had a long and dark history in Austria. This seems not to have happened.

What do we do now?

I plead with my fellow Catholics to

understand the deep anger and anguish of the Jewish people at what appears to be a retrogression to a laissez-faire posture of the official church in the era of the Holocaust.

I plead with my Jewish brothers and sisters not to slam the doors of dialogue shut, whatever their frustrations and fears.

All human beings, including popes, make mistakes of judgment.

The pattern of actions in Jewish-Catholic relations of John Paul II is far more positive than negative. Let us work together to reopen and deepen the dialogue.

Humility and courage are two sides of a single coin. The Pope and the hierarchy and Jewish leaders along with all Jews and Catholics will need both humility and courage.

Jacqueline Grennan Wexler is president of the National Conference of Christians and Jews.

Business Forum

EASY CREDIT AS A TRADE WEAPON

How Japan Keeps the Exports Rolling

By ELIOT JANEWAY

MACAULEY once declared no spectacle more ridiculous than the English on one of their periodic morality kicks. The spectacle of Americans on one of their periodic guilt trips is even more so. Our sense of uncompetitiveness against the Japanese has escalated from a political peevishness into a ritual penance. We have persuaded ourselves that we are no match for the Japanese — presumably because they work harder, care more about the quality of their work, show more dedication to their employers and exemplify team spirit during their pre-dawn warm-ups in company yards.

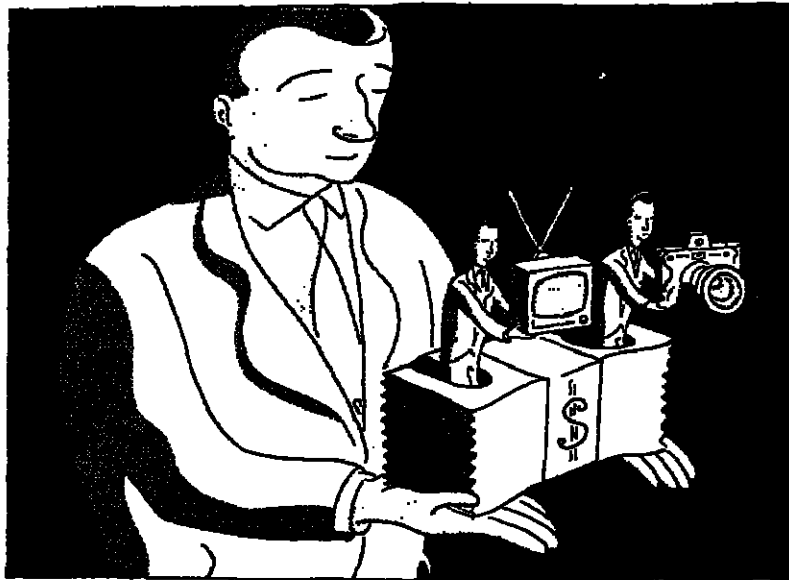
The idea has taken hold that the Japanese are doing better because they are better. No one seems to have scouted the possibility that our Japanese trading partners may be outdoing us for a reason that is less familiar but just as simple: the credit stream the Japanese Government is pouring behind every cargo shipped out of Japan. We persist in confusing this financial offensive with a commercial breakthrough.

Credit is Japan's decisive export trade weapon. Japanese banks are lending dollars to our banks hand over fist, using credit with us the same way our banks used it with the third world — only more efficiently and to a far more reliable debtor. The Japanese lend to sell; their selling follows their lending.

In Japan's highly structured economic and financial system, Tokyo directs the banks, which own influential blocs of stock in Japan's principal exporting corporations. The Japanese financial-industrial hierarchy, from the Government down, is check-book with surplus dollars. With the dollar way down and the yen way up, there's no better use for these dollars than financing exports to America. American interest rates are at least twice as high as Japanese rates. Therefore, lending dollars pays Japanese banks well, helps develop promising relationships with American banks and earns them top marks from their Government.

Japan's credit strategy seems especially attractive in relation to its other investment options. The shaken Japanese economy has gained no tangible return on its speculative flings in America's markets, particularly in Government securities. Lately, Tokyo has been reduced to betting on

Eliot Janeway is the publisher of the Janeway Letter.



continuous new market highs for its American securities investments to offset continuous new lows for its dollar holdings. But look at what easy export credit produces: With every dollar its banks lend to buy export sales to America, Japan buys employment for its plants and its people.

Moreover, the American market remains the mainstay of Japan's export-dependent economy. As seen from Tokyo, world markets are in-

recognize the strategic importance of the routine Japanese practice of shipping big-ticket items into this country on an open-account basis: the way the American retail public flashes credit cards, but on much easier terms.

The name of the game Japan plays is not quick collections, but steady shipments. The purpose of the exercise is to win reorders, not payments. Success in gaining reorders is meas-

The name of the game Japan plays is not quick collections, but steady shipments. ... Success in gaining reorders is measured by the jumbo float of American bank debt to Japan.

creasingly typified by Iran's barter deals with Syria and New Zealand: oil for food in each case. The two major markets Japan eyes as potential alternatives to America, Russia and China, provide endless demand for industrial products but payment in everything but money. Among alternative cash markets, Brazil is suffering inflation too severe to count and Europe is already more protectionist than Japan fears America may go. Thus, the more Japan's American outlets shrink, the more Japanese banks are ready to put up to preserve them.

Americans are accustomed to cash transactions: good reason why we have lost our export markets and are easy marks for import competition. Good reason also why we are slow to

ured by the jumbo float of American bank debt to Japan.

BACK in 1984, the high dollar was the target of universal complaint; it was blamed for America's troublesome trade deficit to Japan, then \$36.8 billion. The fact that our banks had simultaneously run up \$21.6 billion of debt to Japan went largely unnoticed. In 1985, the year of Treasury Secretary James Baker's devaluation counter-offensive, the situation deteriorated. Our trade deficit with Japan jumped to \$50 billion, and the credit from Tokyo inched up to \$23 billion, according to the Federal Reserve's tabulation of United States foreign bank debt.

In 1986, as Tokyo doubled the export "carry" to United States banks

to \$46 billion, Japan maintained a trade surplus of \$51 billion with America despite the dollar's steep fall. So far in 1987, the Japanese trade surplus and the credits are running neck-and-neck, dollar-for-dollar; the trade deficit is running at the annual rate of \$50 billion, and the credit is \$50 billion.

Americans brought up to believe there's no such thing as a free lunch will ask how long the Japanese can afford to play this game. The Japanese hope it never stops. If United States banks were to pay off their Japanese debt, they would put Japanese industry out of business. American distributors could not and would not handle present import volume on a cash basis — certainly not at anything like present yen prices.

As a practical matter, the Japanese industrial-financial complex stays in business by financing the banks of its export customers, beginning with its American export customers. To paraphrase the old baseball adage, the Japanese are hitting us where we ain't. As they see the score, they are helping us where we are not set up to help ourselves.

The wonder of the trade surplus Japan is financing against America is not that it's so large, but that it's so small. Japan's dollar strength arms her to finance a still larger one. Dollar weakness cheapens the carrying cost. The Bank of America, a major factor in financing Japanese imports, particularly auto imports, has just gone to Tokyo to pass the hat for another \$350 million in capital, which would support an additional \$7 billion of domestic lending power.

Devaluation was foredoomed as a way to slow the Japanese import flood. Tariffs will be too. No price penalty collected in cash can work against a credit subsidy. Only import quotas would: product by product — counted by physical units, not by dollar volume — on some fixed slice of the American market pie. Retaliation presents no risk; our export market share is too small. Quotas would switch the priorities of all of America's dollar-rich competitors from how much of America's shrinking markets each of them can grab, to how much all of them can do to make their markets in America bigger. The incentives for them to negotiate to absorb more of our exports in return for a greater share of our market would be irresistible; and negotiation, not price cutting, offers us the only chance to expand our markets. Import quotas would convert all of our trading partners from raiders into builders.

The Economy

WEEK IN BUSINESS

Chrysler and two executives face 16 charges for disconnecting the odometers on cars that were driven by employees before being sold as new. Chrysler, which said the cars were part of a quality control program, denied that the practice was illegal but said that it would keep the odometers connected during future testing. The indictment provided a public relations challenge for the company's high profile leader, Lee A. Iacocca. Conviction on all counts could carry a fine of \$120 million.

The Supreme Court affirmed the right of banks to place commercial paper — unsecured short-term borrowings that are traded in the open market. While the banks still may not underwrite the corporate L.O.U.'s, they may act as agents, advising corporate clients and lining up customers for the paper. The decision was a setback for investment banking firms.

Consumer prices rose three-tenths of a percent in May, the smallest monthly increase of 1987 and a sign that inflation is stabilizing.

Loosely, however, the rise was six-tenths of a percent. Orders for durable goods eased downward one-tenth of a percent, the first decline in four months. ... Auto sales fell 11.3 percent in the June 11-20 period, but the annualized sales rate of 7.3 million vehicles was the best since late April.

Dayton Hudson's stock swung sharply on Tuesday as a takeover offer was reported and then later was discovered to be bogus. The \$70-a-share offer for the respected Minneapolis retailer was announced by Paul David Herrlinger, a Cincinnati securities analyst, on behalf of "Stone Inc." After it became clear the offer was not bona fide, Mr. Herrlinger was admitted to a hospital.

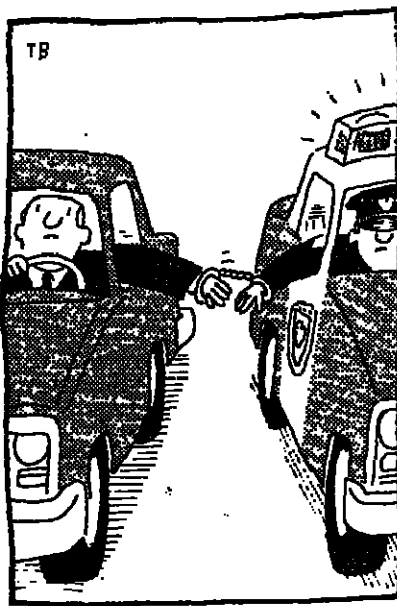
Nevertheless, Dayton Hudson was still regarded as an attractive takeover candidate, and later in the week, Minnesota enacted a law aimed at making a hostile takeover more difficult in the state. Dayton Hudson's shares, which had reached \$51 on Tuesday, had slipped to \$51 by the end of the week.

Mikhail S. Gorbachev promised "a radical reorganization of economic management" in the Soviet Union. Addressing the Communist Party's Central Committee, the Soviet leader called for partial dismantling of central control of the economy.

Allegis retreated from its earlier plan to invite employees to buy a substantial holding in United Airlines as part of the company's restructuring. It also changed United's top management and surprised analysts by saying it would sell an interest in its highly regarded Apollo airline reservation system.

Lorimar-Telepictures will sell off its advertising agencies, television stations and publishing operations and concentrate on its original business — producing and distributing movies and television shows. The sell-off will undo a highly criticized string of acquisitions, which analysts said had contributed to a predicted fourth quarter loss of \$83 million.

JWT Group agreed to be acquired



by WPP Group of Britain for a sweetened price of \$566 million. The parent of the J. Walter Thompson advertising agency accepted an offer of \$55.50 a share in cash on Friday, more than two weeks after WPP had first offered \$45 a share.

Morgan Stanley claimed victory in its three-month battle to acquire Burlington Industries. The effort of a rival group led by Asher B. Edelman and Dominion Textile had been derailed earlier in the week by court rulings that thwarted its hostile bid.

OPEC ministers were meeting in Vienna to decide on production quotas for the rest of the year. The key issue was whether the group could go ahead with its plan to raise quotas 15 percent in the fourth quarter without undercutting the price of oil.

The stock market had an up-and-down week. The Dow Jones Industrial averages set record highs on Monday and Thursday, but it dropped on the other days. Friday's close of 2,420.82 was still up 16.04 for the week. The credit markets ended the week about where they had started it.

Reichhold Chemicals received an uninvited tender offer of \$473 million from Dainippon Ink and Chemicals. Reichhold indicated it would resist the hostile bid, which was an unusual step by a Japanese company.

Miscellaneous. Saatchi & Saatchi created the largest advertising agency in New York by merging its Compton and DFS units.

Arthur F. Burns

1904-1987

Arthur F. Burns, who served as chairman of the Federal Reserve Board under three presidents, died last Friday of coronary disease at age 83.

Mr. Burns was appointed chairman of the nation's central bank in 1970 by Richard M. Nixon and remained until President Carter replaced him in 1978 with G. William Miller.

He was known as a political pragmatist and an implacable foe of inflation. "I started lecturing on the problem of inflation in the late 1930s," he once said. "I think the world is beginning to listen now because inflation is a worldwide disease, and the world is ready to do something about it."

DOES THE U.S. NEED SUPERBANKS?

Why Bigger Isn't Better in Banking

The superbank concept would permit anyone — from Sears to Honda — to go into banking.

By THOMAS H. OLSON

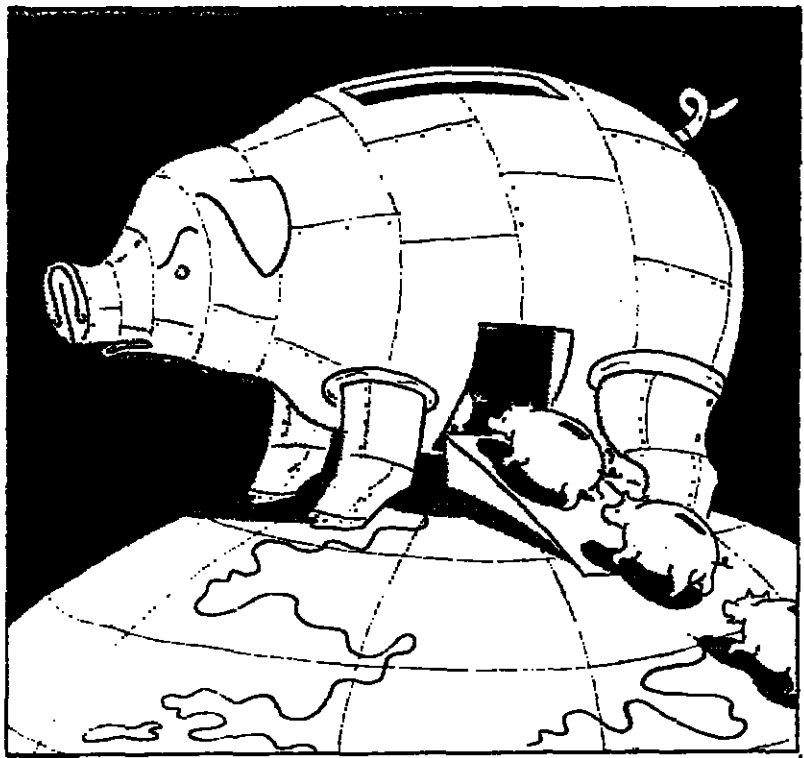
IF recent reports are to be believed, the Treasury Department has decided that the Government should encourage the creation of financial leviathans called "superbanks." While Treasury spokesmen have tried to downplay the issue, Administration policies clearly are moving in this direction. These policies would erode existing laws that separate banking and commerce.

Under this superbank concept, large industrial companies could acquire the largest banks (or savings and loans) and, the theory goes, arm-wrestle the Japanese, Germans and French into submission.

The notion certainly has its sales appeal. Superbanks! It conjures up a seductive blend of nationalism, power and can-do determination. But Madison Avenue is not Main Street. The concept — and its implications — warrant a closer look.

The separation of banking and commerce is an idea that has been embedded in our financial system since Colonial times, and for good reason. Credit-granting decisions should be made at arm's length, by impartial stewards of the public trust. There are inherent differences between the culture of financial institutions and commercial enterprises. Banks deal in secrets. They handle confidential information and guard people's money and futures. They have unique

Thomas H. Olson is president of the Independent Bankers Association of America, which represents small and medium-sized commercial banks.



Drawings by Michael Klein

Government support mechanisms (deposit insurance, for example) not available to commercial companies.

For those reasons, banks are chartered — in essence, licensed — to do business under regulation and supervision. In the private sector, by contrast, the prevailing philosophy is "let the buyer beware." But when you talk about banking, you are talking about people's money and security, not about selling underwear.

The superbank concept would break down this wall and would permit anyone — from Sears to McDonald's to Honda — to go into banking. Who could object to that? Paul Volcker, the Federal Reserve Board chairman, for one. He recently warned that "widespread affiliations of commercial firms and banks [carry] the ultimate risk of concentrating banking resources into a very few hands, with decisions affecting these resources influenced by the commercial owner-

ship links, resulting in inevitable conflicts of interest and impairment of impartial lending judgment."

When it goes into banking, a commercial enterprise is in a position to control and finance its competitors and suppliers; to control others by influencing the availability of credit. The control and concentration of economic — and ultimately political — power should not be swept under the rug by ideological whim. The body of law that has helped determine the nation's financial structure was designed to encourage financial diversity, and it recognizes the danger of concentrations of economic power.

BUT WHAT about size? How can we compete internationally? First, some perspective. Japanese banks are the largest in the world because the Japanese yen has been appreciating, because they have a highly concentrated banking system and because the Japanese — unlike the Americans — save a great deal. And guess what else Japan has

— laws separating banking from commerce. The Germans, who do not have such laws, are considering whether they should.

"I have not heard any concern over the years that American banks are not active competitors internationally. They have been at the cutting edge of international banking competition and we have very active international competitors among the American banks," Chairman Volcker has rightly observed.

In fact, the mega-multinationals' size virtually exceeds the ability of the Government to effectively monitor their operations. And if the proposed superbanks teeter on the brink of failure, then what? The de facto failure of Continental Illinois, prevented only by Government intervention, cast a shadow across the nation and the world. Others have come close. How often and to what extent can the Government, and in turn the taxpayers, prop up institutions that are neither the nation's best nor its brightest? Does being too big to fail also imply being too big to be independent of the Government? It's a sobering thought.

For better or worse, this discussion is not going forward in a vacuum. For the first time in almost five years, this Congress will pass important banking legislation. Both the House and the Senate have passed financial legislation, and a conference committee is now meeting to reconcile the differences in those bills.

House and Senate conferees will determine whether we will head down the road leading to the creation of superbanks. They have the power to close the loophole that permits what Congress had never intended: the infiltrating of banking by commercial businesses through the creation of so-called nonbank banks.

It is our hope that the Congress will not yield to the pressures of a Treasury Department and major money center firms sold on gigantism. To do so opts for, at best, a simplistic and shortsighted solution to a complex issue with wide-ranging implications. At worst, it threatens to revolutionize the financial and economic structure of the United States, with no guarantee that the new structure will better serve the public interest. We can only hope Congress chooses wisely.

The New York Stock Exchange				
MOST ACTIVE STOCKS WEEK ENDED JUNE 26, 1987				
Company	Sales	Last	Net Chg	
AT&T	23,720,100	28 1/2	...	
Dayt Hd	15,552,300	51	- 5 1/2	
Hanan	10,487,300	14 1/2	+ 1 1/2	
Gillette	9,992,100	39 1/2	+ 1/2	
IBM	9,594,300	165 1/2	+ 5 1/2	
S Cel Ed	7,716,600	32	+ 1/2	
Usair G	7,254,900	47 1/2	+ 1 1/2	
Cmv E	7,155,500	35 1/2	- 1/2	
Tandem	7,065,900	31 1/2	- 3/4	
Gen El	6,879,000	65 1/2	+ 2 1/2	
Old Hug	6,093,400	12 1/2	+ 2 1/2	
Navistar	5,801,000	7 1/2	...	
Texaco	5,489,600	37 1/2	- 1/2	
Baxt Tr	5,310,300	24 1/2	+ 1	
Arch Dr	5,279,900	25 1/2	+ 2 1/2	
The American Stock Exchange				
MOST ACTIVE STOCKS WEEK ENDED JUNE 26, 1987				
Company	Sales	Last	Net Chg	
Wicks	3,667,100	4 1/2	- 1/2	
HmeSh	3,087,300	18 1/2	- 1/2	
WangB	2,973,700	16 1/2	- 1/2	
LoTel	2,503,600	15 1/2	- 1/2	
BlockE	2,479,000	4 1/2	+ 1/2	
Viacm	2,028,100	24 1/2	+ 1/2	
EchoB	1,550,700	35	- 1/2	
TexAir	1,433,800	38 1/2	+ 2 1/2	
Hasbr	1,365,200	25	...	
Kidde wt	1,318,400	7	+ 2 1/2	
MARKET DIARY				
Advances	Declines	Total Issues	New Highs	New Lows
963	1,008	2,188	224	48
VOLUME				
Total Sales	Last Week	Year To Date		
854,049,570	22,130,576,178			
Same Per. 1986	684,669,240	17,427,523,761		
WEEK'S MARKET AVERAGES				
High	Low	Last	Change	
212.2	210.3	210.5	+0.60	
153.9	152.0	152.6	-0.70	
78.1	75.1	75.5	-0.22	
156.9	154.4	155.0	-1.28	
Composite	174.0	172.3	+0.14	
Standard & Poor's				
400 Indust	360.0	355.6	356.4	+0.69
20 Transp	254.1	250.0	251.0	-0.87
40 Util	118.2	113.8	114.4	-0.29
40 Financial	30.6	29.8	30.0	-0.30
500 Stocks	310.2	306.3	307.1	+0.19
Dow Jones				
30 Indust	2466.0	2415.3	2436.8	+18.01
20 Transp	1045.2	1019.9	1029.7	+2.85
15 Util	210.5	204.6	207.2	+1.67
65 Comb	924.3	905.5	913.4	+4.91
MARKET DIARY				
Advances	Declines	Total Issues	New Highs	New Lows
413	426	156	995	62
415	391	161	72	28
VOLUME				
Total Sales	Last Week	Year To Date		
65,913,960	1,728,280,775			
Same Per. 1986	63,181,866	1,631,410,899		

سكوا فان لالام

A conflict of interest



Asher Felix Landau

In the Supreme Court sitting as the High Court of Justice before Justice Gavriel Bach, Justice Shoshana Netanyahu and Justice Avraham Halima, in the matter of Moshe Shimon, petitioner, versus Yosef Vanunu, chairman of the local council of Kiryat Malachi, respondent (H.C.589/86).

THE PETITIONER, a member of the Kiryat Malachi local council, was appointed deputy director-general of the Employment Service in charge of administration and personnel. The respondent, the chairman of the council, relying on section 101(4) of the Local Authorities Order (A) of 1950, and the Local Authorities (Restriction on the Right to be Elected) Law of 1964, notified the petitioner of the cessation of his membership of the council.

Under section 101(4), a paid state employee is ineligible to serve as a member of an elected local council if his duties are connected with district administration or local government, or are likely to create a conflict between his duties as a state employee and as a council member.

Similarly, under section 3 of the 1964 Law, a member of a local council who becomes a state employee, as defined in the Law, shall cease to be a council member. Under section 4, the Employment Service is deemed to be a government department; and under a schedule to the Law, the term "state employee" includes a government servant whose duties cover the giving of employment, or referring a person for employment, within the area of a local council.

The petitioner applied to the High Court of Justice to set aside the chairman's notification, on the grounds that it had been induced by political motives and that the legal

provisions on which the chairman relied did not apply to him. His contention was that his duties in the Employment Service were not "connected with district administration or local government," nor did they cover "the giving of employment, or referring a person for employment within the area of a local council."

THE FIRST judgment of the court was given by Justice Gavriel Bach. He was not satisfied, he said, that the chairman had been influenced by political considerations or, as had been alleged, had terminated the petitioner's membership of the council while other members in the same situation had been permitted to continue as such.

The presumption that the chairman had acted lawfully and for proper reasons had not been rebutted. Moreover, the other members of the council performing governmental duties were in an entirely different position. Their duties had no connection whatever with Kiryat Malachi, and there was no comparison between those duties and the petitioner's duties in the Employment Service.

Turning to the statutory provisions referred to, Justice Bach said that the interpretation of Local Authorities Order (A) presented some difficulty. He held, however, that the relevant sections of the Local Authorities Law cited covered the case of the petitioner, and it was, therefore, unnecessary for him to analyse the order.

The petitioner was responsible for the administration of the Employment Service, and thus also for the employees of the employment office

in Kiryat Malachi. As a member of the directorate of the Employment Service, he exercised supervision over all its activities, including the employment of workers.

It could be assumed that, by virtue of his powers, the petitioner could refer job-seekers to places of employment through employees of the Service under his control. Having regard to the objects and spirit of the Law, it was sufficient that the petitioner could exercise this power by virtue of his seniority.

In fact, the chairman of the council had pointed to a specific instance in which the petitioner had tried to secure employment for a particular person through the employment office in Kiryat Malachi. It was highly regrettable that the petitioner had not disclosed this instance in his petition. He had argued that it had happened some months before his appointment as deputy-director, when he was only an adviser in the service. And if he could have done this when he was only an adviser, said Justice Bach, his power so to act would surely be much greater when he became deputy director in charge of administration.

The purpose of all the relevant

legislation, Justice Bach continued, including the provisions cited above, and also section 120(6) of the Municipalities Ordinance (New Version), which prevented a person from functioning as a member of a municipality or local council while fulfilling some other public duty, was to avoid a possible conflict of interests.

The legislation was aimed at avoiding the possibility that such a member would derive some benefit from his other position within the framework of the political and other rivalries in the local authority concerned.

Moreover it was not necessary to show that a conflict of interests actually existed, or that a member of a local authority had in fact derived some benefit from his dual activities. The mere possibility of such conflict or benefit was sufficient to justify the disqualification of a member of a municipality or local council.

Justice Bach therefore proposed that the petition be dismissed.

Justice Avraham Halima concurred.

JUSTICE SHOSHANA Netanyahu agreed with her colleagues.

Justice Bach, she said, had found difficulty in interpreting the Local Authorities Order (A), and she had the same difficulty if the provisions in question were to be interpreted literally. The reason was that it was not possible, on the information before the court, to decide exactly what power the petitioner had in his new position in the Employment Service to influence the giving of employment, or giving references in regard to employment, in the Kiryat Malachi area.

Referring, however, to precedents of the Supreme Court, Justice Netanyahu pointed out that the prohibition of even a possibility of a conflict of interests between the duties of an elected public servant and his other duties, was part of the Common Law of Israel. Such a conflict offended against "public hygiene."

The prohibition was based on principles of proper administration and public confidence, and the rules of natural justice and good faith. The relevant statutory powers, therefore, should be interpreted widely so as to give effect to the prohibition of any possibility of a conflict of interests.

It was clear in this case that such a possibility existed in fact, even if the petitioner's formal powers in the Employment Service did not extend to actual employment matters in Kiryat Malachi. Indeed, Justice Bach had pointed out that the Employment Service's policy of creating as many job opportunities as possible might conflict with the policy of the Kiryat Malachi local council in framing its budget.

Justice Netanyahu agreed, therefore, that the petition be dismissed.

In conclusion, she mentioned that the petitioner had said that if he could not fulfil both his offices, he would prefer to resign from the Employment Service and remain a member of the council. That, however, was not possible since, under section 105(e) of the Order, his membership of the council ceased automatically once the court decided that the chairman's notice was valid.

Advocate Eitan Haberman appeared for the petitioner, and Advocate Amiram Bobrov for the respondent.

Judgment given on June 4, 1987.

Israelis praise Leconte

By DAVID HOROVITZ
Jerusalem Post Correspondent
WIMBLEDON. — "There's nothing you can do when the ball is whizzing by your ears on either side." That is how Amos Mansdorf described his helplessness against Henri Leconte's serve in the fifth set of his second round loss to the Frenchman.

It is also one of the reasons why he and Gilad Bloom, who lost to Leconte in the third round on Saturday, think the No. 9 seed has a good chance of taking the Wimbledon men's singles title.

In an interview with *The Jerusalem Post* at the weekend, the two Israelis agreed that Leconte is good enough to win, provided that he is fit enough.

"He was injured for a while, and only started playing again at the French open," said Mansdorf. "And I felt that in the fifth set of his match against me, he was getting tired faster than I was."

Still sweating from their doubles victory over Bud Cox and Michael Fancutt, the pair were united in their praise for the left-hander.

"He ranks with the best," said Bloom. "and he's beaten the best."

He's one of those players who can lift his game for the important points, produce a little extra.

"Of course," added Bloom, "his serve helps him out of a lot of trouble. I had a few chances to break his serve, but I never could, because when it was vital he pulled out those aces. Sometimes I didn't even see the ball until it had flashed past me."

Both Bloom and Mansdorf felt pleased with the way they had played this year, and both reckon they gave Leconte a pretty good run for his money.

Mansdorf especially felt that he had Leconte on the ropes at two sets all, "But then he got his serve rhythm going again, and there's nothing you can do when the ball is whizzing by your ears on either side."

"The only way to beat players like Leconte is to play against them, again and again."

"Every time, you learn a bit more, something new. I've spotted that his backhand is much weaker than his forehand, and I told Gilad that too. But realizing that is not much help when the aces are booming in."

The pair were also rather pleased with their doubles victory, and were looking forward to today's clash with number two seeds Paul Annacone and Christo Van Rensburg.

"In doubles nothing is certain," said Bloom. "Anyone can beat anyone, and it certainly helps that we've played a hell of a lot of tennis recently."

Steffi says no to Penthouse

WIMBLEDON (AP). — Saying she prefers Centre Court to Centrefold, West German teen-ager Steffi Graf has rejected an offer to pose nude for a magazine pictorial.

"I really laughed about it. I was really surprised that someone could get the idea to even think about it," Graf said yesterday. "It's ridiculous, strange."

A mass-circulation newspaper in West Germany, *Bild*, reported that the 18-year-old ranked No. 2 in the world, had been offered \$270,000 to pose nude for the German-language edition of *Penthouse* magazine.

Bild quoted Peter Graf, her father as saying: "We were very pleased with the offer but of course we turned it down. Steffi's a tennis player and not a model. It is astonishing what ideas people come up with. We had a good laugh but we made it clear that the answer was no."

Carla Frey, the magazine's publisher, said the whole world would be interested in the photo.

"She's now 18. She is without doubt Germany's most popular young lady," he said. "Everyone knows what she's like on the tennis court, but no one knows what she's like in private."

Mattingly brings back big bat

NEW YORK (AP). — Don Mattingly hasn't taken long to get back into the groove with the New York Yankees.

Back from the disabled list just last Wednesday, the Yankee first baseman had his second straight big game on Saturday night to lead New York to a 9-1 victory over the Boston Red Sox.

Mattingly hit a three-run homer in the first inning and went 2-for-5 as the Yankees roughed up Boston pitching for the second night in a row. On Friday night, Mattingly was 4-for-6 when the Yankees beat Boston 12-11 in 10 innings.

Saturday's games: Oakland 13, Cleveland 3; California 3, Chicago 1; Texas 11-7, Minnesota 4.

6-7: New York 9, Boston 1; Baltimore 4, Detroit 2; Kansas City 6, Seattle 9; Toronto 2, Milwaukee 1.

In the National League, Houston outfielder Kevin Bass hit two doubles, a triple and a two-run homer as the Astros defeated the San Francisco Giants 6-5.

The Giants, who dropped below .500 for the first time this season, lost outfielder Candy Maldonado for a minimum of six weeks when he fractured a finger in his right hand while chasing Bass's triple.

In Philadelphia, Terry Letch pitched a four-hitter over eight innings, leading the New York Mets to a 5-4 victory over the Philadelphia Phillies.

Saturday's games: New York 5, Philadelphia 4; Houston 6, San Francisco 5; Pittsburgh 7, Chicago 9; St. Louis 15, Montreal 5; San Diego 8, Atlanta 4.

Moses avenges hurdles loss

SAN JOSE, California (AP). — Edwin Moses avenged his only loss in 10 years in the men's 400-metre intermediate hurdles, but Carl Lewis failed in his bid to win three championships by finishing second in the 100-metre dash at the USA-Mobil outdoor Track and Field championships.

Moses decisively defeated Danny Harris, who had ended Moses' 122-race winning streak on June 4 at Madrid, the first loss for the two-time Olympic champion since August 1977.

Hoopsters' next stop, Bulgaria

Post Sports Staff
Israel's basketball team have been drawn together with Bulgaria, Norway and Finland in the first round preliminaries of the European B division. The tournament will be played in Bulgaria in mid September.

Recently Israel had been slated for

Mack Witherspoon won the men's 100 in 10.64, the best by an American this year, ending Lewis' bid for a second "triple" in the national championships.

Lewis had won the 200 and long jump on Friday, and was attempting to match the three victories he accomplished in the 1983 meet at Indianapolis.

In Prague, Czechoslovakia, East Germany's Marlies Goech won the women's 100-metre dash at the European Track and Field cup with a time of 10.95 seconds.

Spain's Jose Luis Gonzalez provided the biggest surprise during the first day of the meet, edging in front of British's Steve Cram as the tape to win the men's 1,500 metre race.

Inclusion in a group hosted by Turkey but the Turks felt uncomfortable about hosting the Israelis because of "security reasons."

Israel's women's team have been drawn in a group with West Germany, Belgium and Scotland in a tournament to be played in West Germany.

Too literal

MUSIC REVIEWS

healthy, non-controversial way; he obviously is an artist at peace with himself.

The opening Brandenburg concerto served as a vehicle for the harpsichordist Shalev Adel (a winner of this year's Francis Shapiro prize) and the ICO first flautist Michael Weintraub, who comprised the solo group with Mintz as the violinist. Adel's contributions displayed infectious exuberance, rhythmic freedom and technical brilliance — in the best tradition of today's leading Baroque players. Given time, the 18-year-old musician will

learn to convey the rhythmic pulse to his colleagues more elegantly. Weintraub's flute tone was full and rich, the phrases lovingly shaped. A sensitive collaborator, Mintz held back gently, allowing the attention to focus on his partners.

ELI KAREV
ISRAELI PHILHARMONIC ORCHESTRA.
Philharmonia, Zehn Mehta conducting with Anna Rosovsky and Eva Strauss-Marko, violas; Walter Grossman, baritone and the Royal National Chorus conducted by Stanley Sperber (Mann Auditorium, Tel Aviv, June 24).
A capella settings by Morley, Otto Olsson, Hansler, Vianna; Torelli: Concerto in A Minor for two Violins, Strings and Continuo, Op. 8, No. 2; J.S. Bach: Cantata No. 56 "Ich will den Kreuzstab gerne tragen"; Schubert: Symphony No. 3 in D Major, D. 200.

UNDOUBTEDLY a diverse programme with a broad variety of style and expression, the overall effect made no impression. Rina's presentations were dull and monotonous, showing no differentiation of

style and expression. Though the sound was pleasant, interpretation of the pieces never ventured beyond their literal meaning.

Torelli's concerto provides barely any substantial musical interest. Though Anna Rosovsky and Eva Strauss-Marko acquitted themselves honourably, their contribution could hardly enrich the essence of the music. Neither did Bach's cantata change the general atmosphere of weariness and lack of involvement. Grossman's solos emerged dry and monotonous.

Only Schubert's symphony introduced some sense of animation. Extracting from the symphony a sequence of simple though often charming ideas, Mehta showed great understanding of Schubert's early though undoubtedly still immature style.

BENJAMIN BAR-AM

Doggone!

cluding four star hotels.

Take the dog's regular food with you. It is preferable that he become accustomed to dried kibble since this does not spoil. Otherwise feed him tinned food. Nothing is worse than a dog that has an upset stomach while travelling. Also take its own food and water dish.

Remember that a dog usually drinks quite a lot of water in hot weather. Be sure to give him plenty to drink. Also take it out of the car on leash for its toilet needs. I should like to stress here that you must not let a dog off leash in a strange place. He may panic and get lost. Be sure your dog is trained to a leash before travelling with it. The only time I ever let a dog off leash when travelling is in the car, in the room (and be careful of open doors and ground floor windows) and when swimming. Many dogs enjoy a swim and if

FURS, FINS & FEATHERS

visiting the Kinneret or a river where swimming is possible, then by all means let it swim. Dogs do not need to learn this, they know how. But if you are at the beach then remember that you must rinse the dog with clean water after it swims. Needless to say, this is also true for the Dead Sea but most dogs don't like this water although it is a perfect insecticide.

THE IMPORTANT thing to stress is that a dog should never, never be left in a car in the sun. A number of dogs die every year from being left in cars in hot places. Park the car in the shade and leave all the windows partly open, not enough to let the dog out but sufficient for ventilation. In most cases there's little worry about theft if there's a dog in the car since most dogs are quite nasty to strangers when they are in their own mobile kennel, which they often consider the car to be. Don't leave the dog in the car for long periods and give it water just before and just after it has been left there. Remember that your dog is a

companion to you but should not be allowed to annoy others. Keep it with you and enjoy its company.

If you cannot take your dog with you the best place for it is in a good boarding kennel. I know that many people object to this and think it's better to leave it with a friend or have someone come in and feed and walk it from the home. Unless you have a reliable person whom the dog knows living in your house, then do opt for a kennel. Every year I get letters from people who left their dog with a friend and the dog ran away and got lost or was run over or poisoned. Most dogs settle down well in a boarding kennel and a good kennel is responsible for its welfare.

If you plan to use a kennel, look into the matter well in advance and make a reservation. Most good kennels are pretty booked up during the summer and you can't be too early. Visit the kennel you plan to use and ask all the questions you want answered. Be sure to leave an itinerary with the kennel as well as the telephone number of a friend the dog knows and likes. If you prefer

your own veterinarian to treat the dog if it becomes ill, give the kennel staff the relevant information. Otherwise the kennel will usually call their own vet.

Make sure your dog is vaccinated against rabies and take the certificate with you when travelling or when putting it in kennel. This is essential, the certificate, not just the tags. It is also best to see that the dog has had a booster shot for distemper, hepatitis and leptospirosis (DHL) and for parvo virus before kennelling or travelling. The rabies is mandatory, the others optional but strongly advised.

As for cats, it is a rare cat that can be taken on trips although I've known an occasional Siamese that loved it. The best thing for a cat is a good boarding cattery which are rare but do exist.

In every case, plan in advance, take care and enjoy the summer with or without your pet.

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0900-1300: The Hebrew University of Jerusalem, Mount Scopus Parallel Sessions: Senate Hall; Hall 1710, The Faculty of Social Sciences

Saturday, July 4
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MINISTRY OF TOURISM

Doubled U.S. foreign debt sends shockwaves

WASHINGTON (AFP). — A lot of noise was created this past week by a report from the U.S. Commerce Department saying that the U.S. net international debt more than doubled last year, strengthening the American position as the world's No. 1 debtor nation.

The department said the difference between total U.S. assets held by foreigners and the foreign assets held by U.S. investors more than doubled in 1986 to \$263.65 billion. Foreign investors held \$1.331 trillion in assets in the U.S., while U.S. investors owned \$1.068 trillion in assets overseas. The difference was \$111.88b. In 1985, when the U.S. became a net debtor for the first time since 1914.

The public immediately began to worry more about foreign control of the American economy, and instinctively feels that there is something demeaning about such a huge debtor position. Economists also are worried about the big debt because it means that the U.S. standard of

living will decline (or rise less rapidly) as the country has to make interest payments to foreigners.

But Commerce Undersecretary Robert Ormer said the rise in foreign ownership of U.S. assets was a measure of foreign confidence in the American economy. "They hold money in bank deposits or they buy stocks and bonds because they're optimistic about the U.S.," he contended.

Actually, it would be misleading to liken the U.S. position to what has happened to such countries as Brazil and Mexico, because those nations' foreign debt is a large percent of their economic output, which is not true of the U.S. Furthermore, most of such countries' net investment position reflects debt owed to foreigners, rather than the difference between many assets held by foreigners and many assets held in foreign countries.

Other statistics released by the Commerce Department showed that direct foreign investment rose by

13.4 per cent last year to \$209.3b. with British corporations boosting their holdings in the U.S. by \$7.8b., more than any other country. The Netherlands was next, with a \$5.8b. increase, and Japan was third with \$4.1b. Much of the Japanese gain reflected investments in auto subsidiaries operating in the U.S.

On the more general trade question, there is now a rather wide consensus among economists and businessmen that the long decline of the dollar has now put the worst of the country's huge trade deficits behind it, though the deficits will remain large into the 1990s, at least. But they view U.S. businesses as making small but real progress in selling abroad, and suffering less damage from imports.

This view is supported by a recent Commerce Department revision of gross national product figures for the first quarter, which showed a gain of \$14.3b. in exports, rather than the previously estimated \$10.8b. It was the second quarterly improvement in exports.

Furthermore, the Labour Department has reported that the U.S. led the industrialized world last year in improving manufacturing efficiency, for the first time since the 1950s, when international comparisons began.

The declining deficit means that trade is on the way to becoming a growth factor, and it is high time, as most observers believe the economy will expand slowly the rest of the year and it could really use a fillip.

As the months have passed, many forecasters have scaled down their growth forecasts, and despite the robust first quarter GNP growth figure of 4.8 per cent on an annual basis, the consensus now is that real output will rise this year by only 2 to perhaps as much as 2.5 per cent, but no more. Much of that first-quarter surge resulted from unexpectedly high inventory building, which traditionally leads business to lower output levels, and that is probably happening right now.

Retail spending dropped slightly

last month. Many consumers feel strapped and hence are postponing major purchases. Savings have eroded from 6.3% of after-tax income in 1984 to 5.1% in 1995 and only 3.8% last year. The saving rate dropped to a mere 0.1% in April, a low since the great depression.

Consumer prices rose a moderate 0.3% in May, the Labour Department reported, easing fears that inflationary pressures could be staging a strong rebound. That followed 0.4% rises in each of the previous three months, so inflation on that index is now running at about 4% on an annual basis, against a 5.5% rate in April. The producer price index rose by only 0.3% in May, compared with a 0.7% jump in April that had fuelled worry about inflation.

A plunge in military orders caused a 0.1% drop in new orders for major factory goods in May, but excluding defence, orders were up by a good 1.4%, perhaps a further indication that manufacturers are benefiting from export gains.

Retail spending dropped slightly

'IAI could service American jets'

By KEN SCHACHTER
For The Jerusalem Post

TEL AVIV. — If Pinhas Dror has his way, passengers flying on Eastern's "Wings of Man," or in United's "friendly skies," will be powered aloft on engines overhauled in Israel.

Dror, commercial attaché at the Israeli Embassy in Washington, sees vast opportunity for Israel Aircraft Industries in servicing jet engines.

But first, the U.S. Federal Aviation Authority must be persuaded to abandon its year-old rule restricting overhauls for engines on domestic U.S. routes to American companies. Dror said a start has been made based on a study that shows U.S. jobs wouldn't be put in jeopardy if foreign nations were allowed to compete for the lucrative contracts. New airlines face a wait of four months or more to have jet engines overhauled domestically.

During Dror's speech to businessmen and journalists last week, the meeting's sponsor, the Israel-U.S. Chamber of Commerce released trade figures for the first five months of 1987 that showed Israel running a trade surplus with the U.S. of \$238 million and an increase in exports to American markets of almost 9 per cent.

Still, Dror said, Israel should app-

ly any savings on interest payments for loans due Washington to an Israeli version of the Export-Import Bank in order to encourage exports without triggering American anti-subsidy measures. The U.S. Ex-Im Bank, created in 1934, makes or guarantees loans to bolster foreign trade. The U.S. Commerce Department has, on occasion, slapped Israeli products with countervailing duties after hearings that found the products received some form of government subsidy. An export-import bank, Dror suggested, would accomplish much the same thing without running about of Washington.

Currently, the U.S. Commerce Department is considering a complaint alleging government-owned Negev Phosphates Ltd. dumped on the American market phosphoric acid, which is used in manufacturing detergents.

Dror denounced such tactics as symptomatic of Washington's emergent protectionist "hysteria." But defenders of U.S. policy contend that actions against subsidies merely are designed to create a "level playing field" on which all manufacturers can compete equally and the Export-Import Bank functions along commercial lines, making loans judged to be sound and that will be repaid, as opposed to government grants.

Gorbachev fails to match Lenin's reforms

MOSCOW (AFP). — Mikhail Gorbachev's ambitious plans to overhaul the Soviet economy by grafting market forces onto a centrally planned system will, even if they bear fruit, still fall short of 1920's reforms mapped out with Lenin's guidance. Western economists here are saying.

While Gorbachev's reforms, backed Friday by the policy-making Central Committee, contained far-reaching proposals that would sharply affect economic management, the more controversial of these were still the subject of fierce discussion, the analysts noted. Furthermore, both the Soviet leader and the Central Committee are insisting that the "radical reform" of the system of economic management, introducing "qualitative changes" in economic mechanisms, would not threaten the centrally planned system.

On the contrary, the reforms would "open up new possibilities for using the advantages of the socialist system," Gorbachev told his Central Committee colleagues.

Gorbachev, like so many other leaders before him, invoked the name of Lenin to promote his economic programme. In his address to the Central Committee last Thursday, he said, "We used to forget about Lenin's precepts that the growth of production can be ensured on the basis of personal interest, material incentives and with the help of enthusiasm."

But despite this appeal, the Soviet leader appears to have decided not



Soviet leader Mikhail Gorbachev (right) talks to an electronics assembler during a recent factory inspection. Gorbachev aims to give individual plants more autonomy. (AFP)

to heed some Soviet economists who in recent weeks had spoken in glowing terms of the New Economic Policy (NEP), which allowed a mixed economy to flourish from 1922-1927, with agriculture dominated by the private sector.

The NEP, which reached its peak

in 1925, also permitted private trade, small-scale private manufacturing and opened up the economy to foreign trade. A currency reform halted the rapid depreciation of the ruble.

In a biting article in the review *Novy Mir* earlier this month, economist Nikolai Shmelev denounced

Stalin for abandoning the NEP in favour of the forced collectivization of agriculture.

"Unless we recognize that the abandonment of Lenin's New Economic Policy must severely complicate the process of socialist development in the Soviet Union, we

would again, as in 1953 and 1965, condemn ourselves to half measures," he wrote.

Lenin himself died in 1924, and the debate still continues as to whether he favoured long-term maintenance of the NEP, which was brought in against a backdrop of famine, the end of a three-year civil war and a fuel crisis.

Gorbachev, seeking a "comprehensive" reform over a period of time so that the new system will be operating by the beginning of the next five-year plan in 1991, has criticized earlier attempts to improve the economy for tinkering with the central economic agencies. Instead of looking at the system as a whole.

So far, only one of Gorbachev's proposals is about to become law, dealing with limited economic decentralization, and giving greater autonomy to individual companies, which from next January 1 are to be self-financing. For the first time, consumer demand is to be taken into account.

But already this reform has raised some party hackles with some critics pointing out the dangers of unemployment — one of the major problems during the NEP — which officially does not exist in the Soviet Union.

Other reforms in the pipeline, such as the fundamental question of prices and state subsidies, could be watered down as the central committee final statement after the two-day plenum hinted.

The document instructed the ruling Politburo and Council of Ministers to consider these proposals with account for the discussions at the plenum.

CURRENCY MARKETS

As Tokyo stocks fall, dollar rises

The dollar closed little changed on Friday as market participants found no reason to establish new positions ahead of the weekend and the end of the month.

On Monday the U.S. currency reached its highest levels for the week. Trading as high as 1.849 Deutschmarks and at \$1.587 to the pound sterling. Apart from technical reasons, this strength drew its support from sharp falls in the Tokyo stock and bond markets. It was widely expected that Japanese investors would direct more funds to the U.S. securities markets and boost investment demand for the U.S. currency. But this rally proved short lived as rumours of Fed dollar-selling hit the market on Tuesday and prompted a quick liquidation of long dollar positions.

Although those rumours were not confirmed the U.S. currency continued to decline. The first day's official remarks from Tokyo reinforced the market's conviction that

the central banks are determined to keep the dollar within a narrow range. Bank of Japan officials said that they did not expect a further rise of the U.S. currency in view of the U.S. trade deficit.

It is interesting to note that the pound's lowest levels on Monday represented a 7 per cent decline since the elections. The currency's weakness was further demonstrated on Friday, when it failed to react to a 70 cent rise in the price of oil. Still, the weakest currency for the week was the yen, which lost 1.15 per cent against the dollar.

The recent stabilization in currency rates indicates that the Western governments and central banks are expressing strong interest in controlling intervention zones for the major currencies. Nevertheless, the current inability of the dollar to break out from current levels indicates that we may soon see an attempt to sell the U.S. currency. This attempt could run out of steam if it reaches the higher levels of resistance for the Euro-currencies and again a period of trading ranges will emerge.

The column appears courtesy of Boaz Barak Advisory Service.

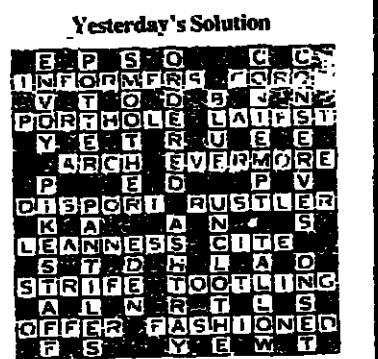
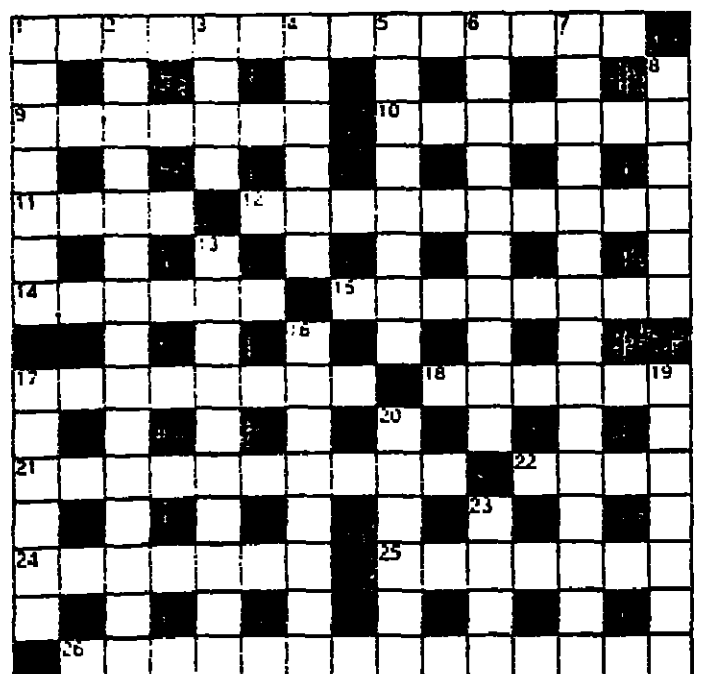


CROSSWORD

- ACROSS**
- Art which needs an index? (5-6)
 - Browning piece for a tanner? (3-4)
 - Management of most of the soldiers? (7)
 - Game for kids? (4)
 - Philly musicians but fretful (10)
 - Good chap in a hot hat... (6)
 - rudimentary hat I once changed? (8)
 - Players not at home Friday. (4-7-8)
 - These flying men back-track on time? (4)

- But not the craft of the diamond-cutter (5-7)
- Army entertainer (4)
- Breed producing cross-cuts of beef? Tom has a lot ordered (7)
- Lav down supply (7)
- Repair to Irish toaster having trouble with moving parts (14)

- DOWN**
- Old woman puts bustle over big tummy (7)
 - Commons in step? No, not in line—not all there (3,6,6)



- YESTERDAY'S SOLUTION**
- ACROSS:** 1 Inner, 4 Rears, 10 Cheese, 11 Trail, 12 Opera, 13 Tension, 15 Lead, 17 Ready, 19 Gazed, 22 Fair, 25 Approve, 27 Twirl, 29 Curse, 30 Shorten, 31 Write, 32 Usual. **DOWN:** 2 Nurse, 3 Fretful, 5 Siren, 6 Realise, 7 Actor, 8 Delta, 9 Stony, 14 Edge, 16 Liza, 18 Imperior, 20 Arduous, 21 Patch, 22 Verse, 24 Slant, 26 Alert, 28 Extra.

QUICK CROSSWORD

- ACROSS**
- A Celtic language
 - Head of coin
 - Satellite's path
 - Mourful chant
 - Unaffected
 - Midday
 - Italian dish
 - Characteristic vocabulary of group
 - Story
 - Navigation aid
 - Sedate
 - Minister's house
 - Hibernia
 - Veracity
 - Extended partnership in cricket

- DOWN**
- Young cat
 - Saale
 - Around
 - Prohibitive order
 - Sullen
 - Party
 - Approach quietly
 - Blue dye
 - Cereal crop
 - Hospital welfare worker
 - Swart course
 - Rascal
 - Savory jelly
 - Commerce
 - Ward off
 - Physical strength

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